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United Nations Relief and Works Agency for Palestine Refugees in the Near East

Financial report and audited financial statements

for the biennium ended 31 December 2001 and

Report of the Board of Auditors

General Assembly
Official Records
Fifty-seventh Session
Supplement No. 5C (A/57/5/Add.3)

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Report of the Board of Auditors

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Letters of transmittal

10 March 2002

Pursuant to financial regulations 11.4 and 12.1, I have the honour to submit the accounts of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) for the biennium ended 31 December 2001, which I hereby approve. The financial statements have been prepared and certified as correct by the Comptroller.

May I take this opportunity to also confirm to you and to the stakeholders of the Agency that UNRWA has:

(a) An established and defined culture of accountability, an organizational architecture commensurate with the complexity faced in UNRWA operations, an internal control structure which is sound and functioning and a managerial structure which is transparent and utilized to keep managers informed of UNRWA activities, challenges and developments;

(b) Reporting processes that provide reasonable assurance that the UNRWA financial statements present fairly, in all material aspects, the results of operation and the financial position of UNRWA in accordance with generally accepted accounting principles;

(c) Cost-effective control systems, which provide reasonable assurance that the Agency's operational and quality objectives will be achieved. These objectives include, but are not limited to, reliable external disclosures, safeguarding of assets, prevention of fraud, compliance with the rules and regulations, elimination of unnecessary costs and maximization of income;

(d) Ongoing assessment and oversight processes, which review the significant internal control and risk issues identified by UNRWA internal and external auditors. UNRWA has initiated steps to adjust or add controls in areas where the risks associated with the non-achievement of UNRWA operational and quality objectives were considered to be excessive and/or unacceptable.

(*Signed*) Peter **Hansen**
Commissioner-General
UNRWA

The Chairman of the Board of Auditors
United Nations
New York

27 June 2002

I have the honour to transmit to you the financial statements of the United Nations Relief and Works Agency for Palestine Refugees in the Near East for the biennium 2000-2001 ended 31 December 2001, which were submitted by the Commissioner-General. These statements have been examined and include the audit opinion of the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts.

(*Signed*) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa
and Chairman
United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York

Chapter I
Financial report for the biennium ended 31 December 2001

Summary

The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) ended the biennium 2000-2001 with a net excess of income over expenditure of $7.4 million for its regular budget activities. The closing balance of the Agency's working capital in respect of its cash regular budget activities amounted to $8.5 million. This represents a significant improvement over the biennium 1998-1999, when the closing working capital stood at a negative amount of $4.1 million (see statement 1).

The consolidated cash balance, which was $31.0 million at the beginning of the biennium, increased by $25.5 million to $56.5 million as at 31 December 2001 (see statement 2). Of the $56.5 million, $10.2 million was committed for the Microfinance and Microenterprise Programme and $9.3 million was earmarked for the purchase of basic commodities, leaving a balance of $37.0 million available for funding project activities and regular budget operations.

The Agency's total regular and non-regular budget for the biennium was $884.8 million (see statement 4). Against that, UNRWA received total income, including other income, of $706.6 million during the biennium and spent $659.7 million, resulting in a total excess of income over expenditure of $46.9 million for the period. This excess was mainly accounted for by emergency appeal contributions received towards the end of the biennium, which had not been disbursed by the end of 2001.

As in the past, the education programme accounted for a major part of expenditure under the regular budget, with 58.7 per cent of total expenditure. The health programme was next, with 17.9 per cent, followed by operational and common services, with 13.2 per cent, and relief and social services with 10.2 per cent, as shown in the following table:

	Approved budget		*Actual expenditure*		*Reduction*	
Programme	*Percentage*	*US dollars*	*Percentage*	*US dollars*	*US dollars*	*Percentage*
Education	53.7	328 371 000	58.7	327 799 599	571 401	0.2
Health	17.6	107 703 000	17.9	100 191 537	7 511 463	7.0
Relief and social services	10.2	62 442 000	10.2	57 121 149	5 320 851	8.5
Operational and common services	18.5	112 767 000	13.2	73 384 116	39 382 884	34.9
Total	**100.0**	**611 283 000**	**100.0**	**558 496 401**	**52 786 599**	**8.6**

The overall reduction in expenditures of 8.6 per cent against budget was attributable to: (a) a shortage of contributions to meet budgeted expenditure; and (b) cost containment and strict financial management to match expenditure to income. The educational expenditures consisted mostly of teacher salaries. The total number of teachers increased owing to the increasing number of schoolchildren. In the health programme and in relief and social services, the reduction was due mainly to a decrease in the consumption of supplies. The contributing factors for the reduction of expenditures under operational and common services were decreases in staff and overhead costs and the non-utilization of a budgeted salary reserve of $12 million and a working capital reserve of $14 million.

Expenditure against non-regular budget funds during the biennium totalled $94.0 million. The emergency appeal, post-1999 projects and Peace Implementation Programme absorbed a large portion of this expenditure, at $57.7 million, $16.9 million and $16.1 million respectively.

The net assets of the Area Staff Provident Fund decreased to $787.8 million, and the market value of the investments at the end of the biennium was $788.8 million. The losses attributable to the members of the Provident Fund, as at 31 December 2001, totalled $4.1 million.

A. Overview

1. The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) was established by the General Assembly in its resolution 302 (IV) of 8 December 1949 as a separate entity within the United Nations system. The Agency's mandate has been renewed repeatedly, most recently by Assembly resolution 56/52 of 10 December 2001, when it was extended until 30 June 2005.

2. UNRWA reports directly to the General Assembly. A 10-member Advisory Commission, which includes representatives of the Agency's major donors and host Governments, undertakes an annual review of UNRWA programmes and activities.

B. Activities of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

3. UNRWA provides educational, health and relief and social services to some 3.9 million Palestine refugees in Jordan, Lebanon, the Syrian Arab Republic and the West Bank and Gaza Strip. The headquarters of the Agency are located in Gaza and Amman.

4. The Agency has continuously adapted its role and services in keeping with the needs of the refugees and the changing environment in which it operates. Throughout its 52 years of humanitarian service in the area, the Agency has demonstrated a capacity to adapt and enhance its programmes as required to cope with developments in the region, and stands ready to continue doing so in accordance with the mandate it receives from the General Assembly.

5. A number of challenges for the work of UNRWA have arisen since the outbreak of strife in the occupied Palestinian territory in September 2000. The unstable security context, deteriorating economic conditions for the refugees and the restrictions on the flow of goods, services and labour have greatly increased demands on the Agency's humanitarian operations in the Gaza Strip and the West Bank.

1. Education programme

Mission

6. The mission of the Agency's education programme is to help Palestine refugee children and youth acquire the basic knowledge and skills needed to become productive members of their communities in accordance with the needs of the labour market, as well as their identity and cultural heritage.

Objectives

7. The objectives of the programme are as follows:

(a) Provision of a general education to Palestine refugee children and youth at the elementary and preparatory levels, as well as at the secondary level, on a limited basis, in Lebanon only;

(b) Provision of university-level pre-service teacher education for young Palestine refugees as well as in-service teacher education for UNRWA teachers to enable them to improve the quality of education in UNRWA schools;

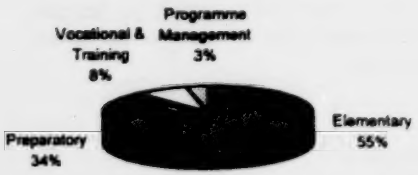
(c) Provision of vocational and technical education and training for young Palestine refugees to enable them to become skilled, productive citizens and contribute to the well-being of their communities;

(d) Provision of job placement assistance for the graduates of the Agency's vocational training centres and ennancing career guidance and counselling services for the Agency's preparatory and secondary school students as well as vocational and technical graduates.

Results

8. During the biennium 2000-2001, 477,216 and 486,026 children were enrolled for the school years 2000/01 and 2001/02 respectively in the Agency's 644 elementary, preparatory and secondary schools (the latter in Lebanon only), which were staffed by 14,494 teachers. In addition, a total of 255,141 refugee pupils attended other government and private elementary, preparatory and secondary schools at no cost to UNRWA. During the biennium, vocational, technical and teacher education was provided at the Agency's eight training centres and by three science education faculties for 6,008 and 5,896 students enrolled for the 2000/01 and 2001/02 training years respectively. Some 569 and 567 instructors taught in those training centres during the two years of the biennium respectively. In-service teacher training courses were provided by the Institute of Education at UNRWA headquarters in Amman through five educational development centres for 538 and 648 education staff members in the two school years respectively. In addition, 400 teachers were trained in the Gaza Strip during the two school years. Under the Agency's scholarship programme, which was funded entirely from earmarked donor contributions, 427 and 197 students were awarded university scholarships for the academic years 2000/01 and 2001/02 respectively. The education programme no longer provides funding for scholarships. The Agency's expenditure on the education programme in the biennium was $327.8 million against the General Assembly-approved budget of $328.4 million. Educational expenditure represented 58.7 per cent of the Agency's regular budget expenditure.

9. The distribution of expenditures for educational services by activity and field is shown below:



BY ACTIVITY

BY FIELD

2. Health programme

Mission

10. The mission of the Agency's health programme is to protect, preserve and promote the health status of the registered Palestine refugees and to meet their basic health needs consistent with the basic principles and concepts of the World Health Organization, as well as with the standards achieved by the public health sector in the Agency's area of operations.

Objectives

11. The objectives of the programme are as follows:

(a) Preserving the sustainable investment achieved in primary health care by implementing appropriate intervention strategies with a high potential impact on health outcomes, especially in the areas of disease prevention and control and maternal and child health;

(b) Enhancing the process of institutional capacity-building in order to maximize system performance, improve service quality and increase efficiency and cost-effectiveness;

(c) Maintaining environmental health conditions in refugee camps compatible with the levels provided by local municipalities by implementing developmental projects to improve camp infrastructure for water, sewerage and drainage and solid waste disposal;

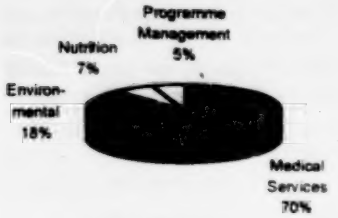
(d) Harmonizing health policies and service standards with those of the host authorities in order to make optimal use of scarce resources and avoid incompatible priorities;

(e) Preventing breakdowns in service delivery, quality and sustainability by responding to emergency situations arising as a result of the Arab-Israeli conflict.

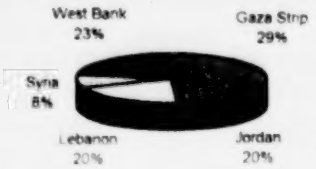
Results

12. The Agency offers comprehensive primary health-care services to Palestine refugees in the five areas of operation, comprising disease prevention and control and maternal and child health care, including family-planning services. Those services are provided through 122 primary health-care facilities. During the biennium, a total of 14,545,387 visits were made to these clinics by refugee patients for medical and dental consultations and other treatment, such as injections and dressings. Assistance towards hospitalization is provided either at contracted hospitals or through partial reimbursement of costs. UNRWA also runs a small hospital in Qalqilia in the West Bank, and operates six maternity units integrated within the largest health centres in the Gaza Strip. Under hospitalization assistance, refugees treated during the biennium at UNRWA hospital and maternity units and at contracted hospitals utilized a total of 285,609 bed-days. Environmental health services are also part of the health programme, as is the supplementary feeding programme for pregnant women and nursing mothers. Total expenditure on the health programme for the biennium amounted to $100.2 million against the General Assembly-approved budget of $107.7 million. The health programme accounted for 17.9 per cent of the Agency's regular budget expenditure.

13. The distribution of health programme expenditures by activity and field is depicted below.



BY ACTIVITY



BY FIELD

3. Relief and social services programme

Mission

14. The mission of the Agency's relief and social services programme is to provide the most disadvantaged Palestine refugees with humanitarian assistance and to promote the self-reliance of less advantaged members of the refugee community, such as women, youth and the physically challenged. The Department of Relief and Social Services also serves as the custodian of the historical records of some 3.9 million Palestine refugees.

Objectives

15. The objectives of the programme are as follows:

(a) Providing the neediest eligible families with basic subsistence support;

(b) Improving the housing conditions of "special hardship" families;

(c) Delivering targeted assistance to families with small-scale emergency needs during an economic or humanitarian crisis;

(d) Strengthening the institutional capacity of community organizations in the camps to better serve the needs and promote the rights of the physically and mentally challenged, youth and women;

(e) Updating monthly and maintaining daily the content of the computerized registration records of approximately 3.9 million refugees;

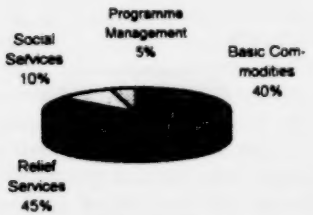
(f) Maintaining the capacity to respond to large-scale emergencies, with a special focus on the short-, medium- and long-term programmatic demands of the 2000/01 intifada in the West Bank and Gaza Strip on the Agency's relief and social services;

(g) Maximizing the use of limited resources through increased operational efficiencies, inter-agency and interdepartmental cooperation, ongoing consultation with host authorities, programmatic, funding and professional collaboration with local and international non-governmental organizations and various cost-sharing and self-help mechanisms.

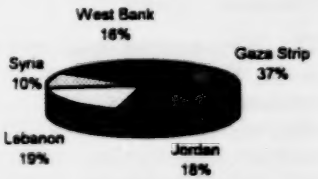
Results

16. At the end of 2001, 225,156 refugees (of whom 208,805 were ration recipients) were enrolled in the special hardship programme, representing 5.7 per cent of the total registered refugee population. They belonged to 56,963 families, with an average of four persons per family receiving "special hardship" assistance. This assistance consists of food, a small cash subsidy, shelter rehabilitation, preferential access to vocational and teacher training and small grants or loans to establish individual or group "self-support" projects. Social workers provided counselling and support to help families cope with the difficulties causing or aggravating their socio-economic problems. Selective cash assistance for those in extreme distress was continued in 2001, with a total of $500,000 distributed among the five field locations. The Department of Relief and Social Services continued its poverty alleviation programme (providing credit opportunities) and related skills training. Technical and financial support focused on building up the capacity of 135 community-based organizations (for women, youth and the disabled) to become managerially and financially sustainable. During the biennium, approximately 143,033 refugees participated in the activities of those organizations. The Agency's eligibility and registration staff continued to update the field registration system database on 3.9 million refugees, in addition to the field social study system database, which tracks the socio-economic data of the special hardship families. Total expenditure on the relief and social services programme during the biennium amounted to $57.1 million against the General Assembly-approved budget of $62.4 million. Relief and social services expenditure represented 10.2 per cent of the Agency's regular budget expenditure.

17. The charts below reflect the distribution of relief and social services expenditure by activity and field.



BY ACTIVITY



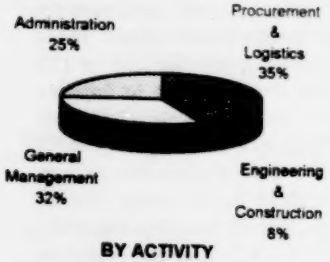
BY FIELD

4. Operational, technical and common services

18. The mission of the Agency's operational and technical services is to enhance and create synergy in the functions of the Agency's information systems, procurement, logistics and construction and engineering services. It is also to direct those services to achieve the best results in terms of efficiency, reliability and timeliness, hence contributing to the Agency's mandate in providing humanitarian assistance to Palestine refugees.

19. The mission of the Agency's common services, comprising general management and administration, is to secure the highest standards of efficiency, competence and integrity in carrying out the UNRWA humanitarian mandate deriving from the relevant General Assembly resolutions, in providing leadership to the Agency's programmes and fields and in managing the Agency's human and financial resources.

20. Expenditure during the biennium for those services amounted to $73.4 million against the General Assembly-approved budget of $112.8 million. This expenditure represented 13.2 per cent of the Agency's regular budget expenditures.



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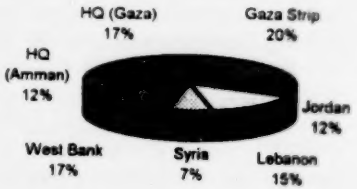


BY FIELD

5. Special programmes

21. In addition to the ongoing services described above, during the biennium 2000-2001 UNRWA implemented the special programmes outlined below to improve the living conditions of Palestine refugees, with earmarked funding from donors.

Emergency appeals

22. In view of the deteriorating economic situation as a consequence of the strife in the West Bank and Gaza Strip since September 2000, UNRWA launched three emergency appeals during the biennium to assist the refugee community in the affected areas. The major thrust of the emergency operations was to provide essential food supplies, shelter, selective cash assistance, employment generation and medical assistance, including physical rehabilitation and counselling for the several thousand people injured or disabled as a result of the clashes. Against a total for all three emergency appeals of $160 million, the donor community pledged $130.9 million in cash and in-kind assistance. Of this total, $101.3 million was received by the end of December 2001, of which $26.2 million was received during the last quarter of the year. To enable the immediate implementation of emergency relief activities, an advance of $1.2 million was received in November 2000 from the Central Emergency Revolving Fund towards meeting the emergency needs of the Palestine refugees. This advance is to be repaid by March 2002. The total expenditure under the emergency appeals amounted to $57.7 million.

Post-1999 projects

23. During the biennium, a new category of post-1999 projects was established to replace the closed and/or phased-out projects under the Peace Implementation Programme, capital and special projects and expanded programme of assistance. During the biennium, $23.8 million was received for projects under this category and expenditure was $16.9 million.

Peace Implementation Programme

24. The Peace Implementation Programme was launched in October 1993 following the signing of the Israeli-Palestinian Declaration of Principles in September of that year. Under the programme, the Agency undertook special construction and development projects in the West Bank and Gaza Strip with the objectives of developing infrastructure, improving living conditions and creating employment opportunities. Those objectives were pursued mainly in areas where UNRWA was already playing a significant role, such as in educational and vocational training, health care and environmental sanitation, microfinance and microenterprise activities and relief assistance and social services. Those development projects were later extended throughout the UNRWA area of operations for the benefit of all Palestine refugees. During the biennium, the programme received $3.3 million, while expenditure was $16.2 million, including the use of funds received in previous years.

Lebanon Appeal

25. The Lebanon Appeal was issued to help alleviate the socio-economic conditions of the 365,000 Palestine refugees registered in Lebanon. Most of those refugees suffered from deplorable living conditions and depended almost entirely on UNRWA for basic services. The deteriorating socio-economic situation in the country, combined with the inability of the refugees to gain full access to the job market or to avail themselves of public health facilities, heightened their desperation and misery. As the regular funding available to UNRWA was insufficient to cope with the growing needs of the refugees in Lebanon, the Agency launched a special emergency appeal in July 1997 in Geneva, seeking $11 million in additional contributions to support essential health, educational and relief and social services. During the biennium, total expenditure incurred on specific Lebanon Appeal project activities was $1.7 million, using funding received in 1997.

Capital and special projects

26. Activities funded under capital and special projects are undertaken only if earmarked funding is available. Capital projects represent investment to upgrade and expand facilities in the Agency's regular programmes, namely schools, health clinics and community centres. Special projects consist of ongoing activities related to the Agency's regular programmes, which donors have agreed to fund separately on a recurrent basis but which are not considered part of the regular programmes, such as training centres and scholarships. Expenditure on such projects during the biennium was $1.1 million.

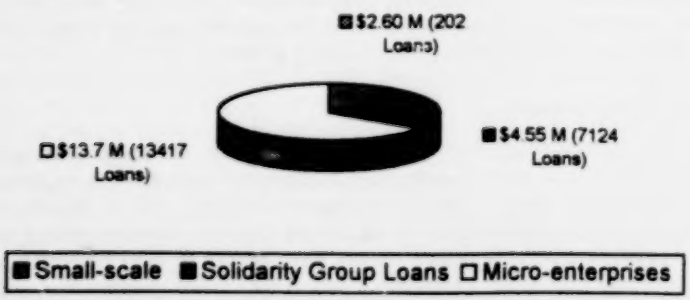
Expanded Programme of Assistance

27. The Expanded Programme of Assistance was established in 1988 to improve living conditions in refugee communities and to upgrade the Agency's infrastructure throughout its area of operations, with special emphasis on the West Bank and Gaza Strip. The programme was subsumed into the Peace Implementation Programme in October 1993, and the Agency began to phase it out as projects were completed. A total of $0.3 million was spent to complete Expanded Programme of Assistance projects during the biennium under review.

Microfinance and Microenterprise Programme

28. The mission of the Microfinance and Microenterprise Programme is to improve the quality of life of small and microentrepreneurs, sustain jobs, decrease unemployment and provide income-generating opportunities to poor men and women through the provision of credit.

29. Since June 1991, the Microfinance and Microenterprise Programme in the West Bank and Gaza has helped to promote small business development, create employment, improve the income of microenterprises and reduce poverty through the establishment of a number of targeted credit programmes aimed at small businesses, microenterprises and women. The small and microenterprise training component of the programme endeavours to meet the emerging standards for business training and business development services, where it covers all the direct costs of training from participants' fees and meets its overhead and administrative costs from donor contributions. The programme is organized around three revolving loan funds in Gaza and two in the West Bank. The programme, which is of a commercial nature, supports businesses varying in size from a microvending enterprise employing just one or two individuals to small industries, and aims to satisfy a variety of needs, such as capital funding and working capital financing. Since it was established, the programme has distributed $60.31 million through 47,382 loans (38,724 loans valued at $48.82 million in Gaza and 8,658 loans valued at $11.48 million in the West Bank). The total disbursement for the biennium was $20.85 million on 20,743 loans, as depicted below:



Income-Generation Programme

30. The Agency's Income-Generation Programme, which operates under the supervision of the Relief and Social Services Department's poverty alleviation programme, aims to support Palestine refugees who require financing of income-generating projects in Jordan, the Syrian Arab Republic and Lebanon. The Programme is much smaller in volume than the Microfinance and Microenterprise Programme, with an outstanding portfolio of $0.97 million and accumulated reserves of $1.50 million as at 31 December 2001. Another significant feature of the Programme is its social orientation, whereby loans are granted to eligible borrowers at subsidized rates of interest.

C. Financial results

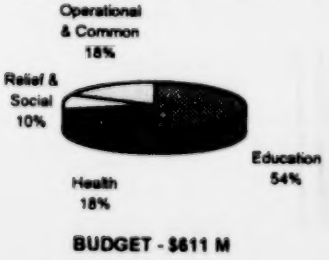
31. At the end of the biennium, the Agency's overall surplus was $46.9 million on its operations, as shown in statement 1, income and expenditure, which also shows the balances of the Agency's working capital and other funds. The balances of the other funds are earmarked for specific purposes. The working capital under the Agency's regular budget fund is not a statutory operating reserve, but is the difference between the assets and the liabilities of the fund. The working capital account is used for three specific purposes: (a) to meet temporary current-year imbalances in the cash flow; (b) to finance unforeseen needs; and (c) in the event of a curtailment of the Agency's activities, to meet any extraordinary liquidating liabilities. As shown in statement 1, the working capital account of the regular budget had a positive balance of $17.8 million. This is accounted for by the following:

(a) A positive working capital balance of $9.3 million earmarked for in-kind purchases of basic commodities;

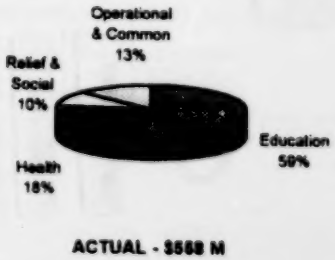
(b) A positive working capital balance of $8.5 million on all other regular cash budget operations during the biennium.

32. For efficient cash-flow management, the Agency centrally manages all cash received for both the regular and non-regular budget. The statement of cash flow for the period, statement 3, depicts the changes in the Agency's financial position and reflects the consolidated cash balance of $56.5 million at the end of the biennium.

33. Statement 4 shows the Agency-wide budgeted and actual expenditures for the biennium. The Agency expended $659.7 million during the biennium against a budget of $884.8 million on all its activities. On the regular budget alone, the expenditure was $558.5 million against a budget of $611.3 million. A graphical comparison of the regular budget actual expenditure versus the budgeted expenditure is shown below.



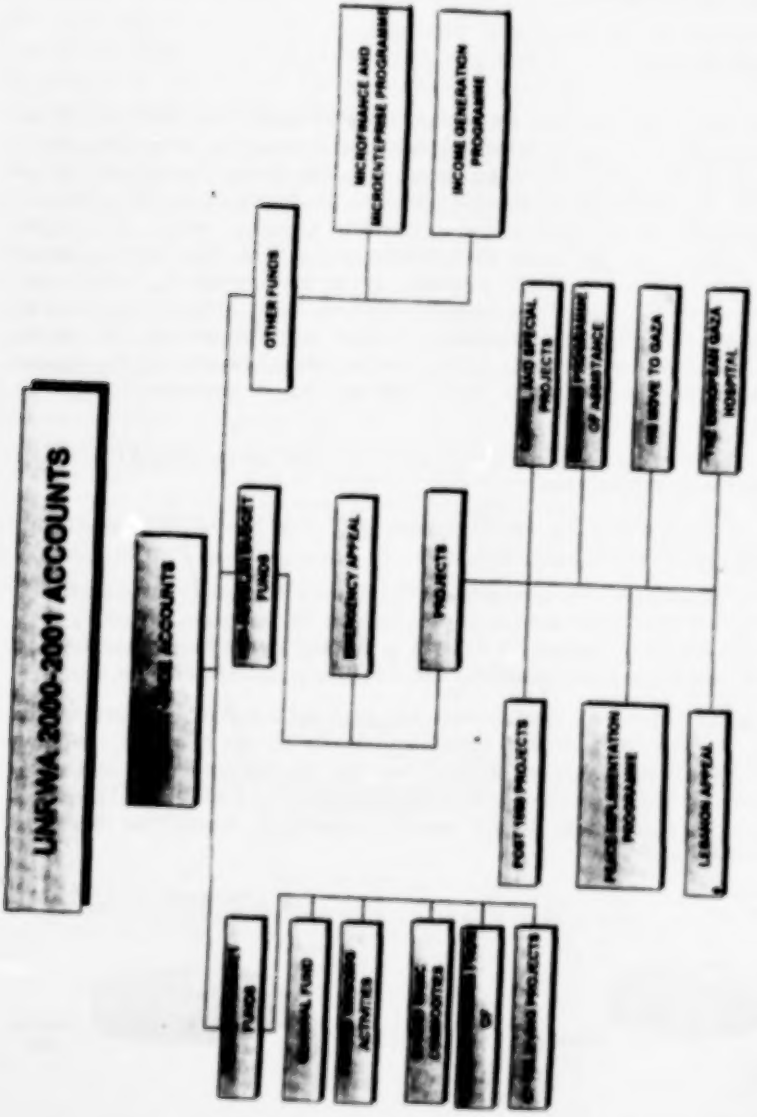
BUDGET - $611 M



ACTUAL - $558 M

34. Financial statements of the Area Staff Provident Fund, shown separately in the present report, indicate that the total assets of the Fund declined to $787.8 million from $856.6 million during the previous biennium. The Fund's net investment income for the biennium was $46.1 million, compared with $102.1 million for the previous biennium. Due to the negative performance of equity markets during 2001, the losses attributable to the participants of the Fund as at 31 December 2001 amount to $4.1 million.

35. A diagram of UNRWA accounts for the biennium 2000-2001 follows.



Chapter II
Report of the Board of Auditors

Summary

The Board of Auditors has reviewed the operations of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) and has audited the financial statements for the biennium ended 31 December 2001. The audit included visits to both Agency headquarters, at Gaza and Amman, as well as to the UNRWA field offices in the Syrian Arab Republic, Gaza and Amman.

The Board's main findings were as follows:

(a) UNRWA paid end-of-service benefits of $27.1 million during the biennium, although the related provision amounted to only $18.4 million. Also, the estimated liability of $143.6 million was unfunded and did not include international staff and repatriation grants;

(b) The Board was unable to obtain adequate assurance as to the reasonableness of the value of land and buildings ($317 million) and the value of the non-expendable equipment balance for the Jordanian and Syrian field offices;

(c) Unliquidated obligations were not always reviewed periodically by the certifying or alternate certifying officials;

(d) Two tax authorities subjected UNRWA to direct taxes and customs duties, contrary to the Convention on the Privileges and Immunities of the United Nations, the balance of which amounted to $26.8 million and remained outstanding at the end of the period;

(e) Various donor-specified projects had been pre-financed as at 31 December 2001. Major projects amounting to $4,989,529 were pre-financed, of which $3,561,977 was still outstanding at the end of April 2002;

(f) UNRWA could further optimize efficiency and effectiveness and reduce headquarters costs resulting from the operation of two headquarters;

(g) The vacancy rates at UNRWA headquarters were 14.8 per cent in Amman and 20.8 per cent in Gaza;

(h) Various areas of the Agency's internal audit function could be improved.

The Board's main recommendations are that UNRWA should review the funding mechanism to fully fund end-of-service liabilities; ensure proper custody and control of equipment; review and recover long-outstanding balances; further optimize the efficiency and effectiveness of headquarters expenditures; revise its recruitment strategy; and further improve aspects of the internal audit function.

A list of the Board's main recommendations is provided in paragraph 11.

A. Introduction

1. The Board of Auditors has audited the financial statements of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) for the period from 1 January 2000 to 31 December 2001, in accordance with General Assembly resolution 74 (I) of 7 December 1946. The audit was conducted in accordance with article XII of the Financial Regulations and Rules of the United Nations and the annex thereto, and with the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. Those standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the expenditures recorded in the biennium 2000-2001 had been incurred for the purposes approved by the governing bodies, whether income and expenditures had been properly classified and recorded in accordance with the Financial Regulations and Rules and whether the financial statements of UNRWA presented fairly the financial position at 31 December 2001 and the results of the operations for the period then ended. The audit included a general review of the financial systems and internal controls and a test examination of accounting records and other supporting evidence to the extent that the Board considered it necessary to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews under regulation 12.5 of the Financial Regulations and Rules of the United Nations. The reviews concerned the efficiency of financial procedures, the internal financial controls and, in general, the administration and management of UNRWA. The audit was carried out at UNRWA headquarters in Gaza and Amman and at the field offices in Gaza, the Syrian Arab Republic and Amman. The final audit, in April 2002, could be conducted only from the Amman headquarters because of the security situation in Gaza.

4. During the period under review, the Board continued its practice of reporting the results of specific audits through management letters containing detailed observations and recommendations to the Administration. This practice helped to maintain an ongoing dialogue with the Administration on audit issues.

5. The present report covers matters which, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with the Administration, whose views, where appropriate, have been reflected in the report. The report covers the audit of both financial and management issues.

6. A summary of the Board's main recommendations is contained in paragraph 11. The detailed findings are reported in paragraphs 13 to 122.

1. Previous recommendations not fully implemented

7. In accordance with section A, paragraph 7, of General Assembly resolution 51/225 of 3 April 1997, the Board has reviewed the action taken by the Administration to implement the recommendations made in its report for the period

ended 31 December 1997[1] and confirms that, in general, there are no important outstanding matters.

8. In accordance with General Assembly resolution 48/216 B of 23 December 1993, the Board also reviewed the measures taken by the Administration to implement the recommendations made in its report for the financial period ended 31 December 1999.[2] Details of the action taken and the comments of the Board are set out in the annex to the present report.

9. The General Assembly, in its resolution 52/212 B of 31 March 1998, accepted the recommendations of the Board of Auditors for improving the implementation of its recommendations approved by the Assembly subject to the provisions contained in the resolution. The Board's proposals, which were transmitted to the Assembly in a note by the Secretary-General (A/52/753, annex), included the following main elements:

(a) The need for specification of timetables for the implementation of recommendations;

(b) The disclosure of office-holders to be held accountable;

(c) The establishment of an effective mechanism to strengthen oversight in regard to the implementation of audit recommendations. Such a mechanism could be in the form of either a special committee comprising senior officials or a focal point for audit and oversight matters.

10. The Board noted that the Administration had generally complied with those requirements.

2. Main recommendations

11. The Board recommends that UNRWA:

(a) In conjunction with United Nations Headquarters, review the funding mechanism and targets for end-of-service liabilities in line with policies adopted by other United Nations organizations (para. 30);

(b) Implement the asset module included in the newly acquired financial management system as a matter of urgency in order to rectify deficiencies in the management and control of fixed assets. In addition, proper asset counts should form the basis of validating data in the asset module, and the assets should be properly stated in the financial statements and the notes thereto in terms of the Agency's accounting policy (para. 34);

(c) Review unliquidated obligations on a regular basis to ensure the validity of such obligations and cancel obligations that are no longer required (para. 38);

(d) Strengthen its efforts to recover the outstanding tax reimbursement of $26.8 million and make further appeals to the relevant administrations to fully accept the tax-exempt status of the Agency (para. 41);

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[1] *Official Records of the General Assembly, Fifty-third Session, Supplement No. 5C* (A/53/5/Add.3), chap. II.

[2] Ibid., *Fifty-fifth Session, Supplement No. 5C* and corrigendum (A/55/5/Add.3 and Corr.1), chap. II.

(e) Review its policy on the pre-financing of donor-specified projects in view of the adverse effects it could have on the implementation of other projects and the impact on the cash flow of UNRWA (para. 53);

(f) Evaluate headquarters operating costs with a view to further optimizing efficiency and effectiveness. This evaluation should cover both quantifiable aspects and non-quantifiable matters (para. 61);

(g) Revise its recruitment strategy to lower the number of vacancies at headquarters to an acceptable level to enable the Agency's functions to be performed in the most efficient and effective manner (para. 65);

(h) Improve its Audit and Inspection Department quality assurance process by documenting and retaining appropriate evidence of supervision. Furthermore, the Department should conduct internal quality assurance reviews on a regular basis (para. 103).

12. The Board's other recommendations are shown in paragraphs 20, 24, 26, 43, 45, 50, 70, 73, 76, 78, 82, 90, 92, 97, 101, 106, 110, 115 and 121.

B. Financial issues

1. Overview

13. Contributions to regular budget funds, which continued to be the main source of the Agency's income (82 per cent), amounted to $575.1 million for the biennium 2000-2001, compared with $538.1 million for the previous biennium. Contributions to non-regular budget funds also increased, from $42.6 million in the biennium 1998-1999 to $128.5 million for the biennium 2000-2001. The Administration attributed the increase in income under the regular budget to its intensified efforts to generate revenue. The increase in non-regular budget funds for the biennium 2000-2001 was the result of funds received for the emergency appeal, amounting to $101.2 million. The total combined income for all funds amounted to $706.6 million (including an offset of net exchange losses of $4.5 million), compared with $586.1 million for the previous biennium.

14. Expenditure from the regular budget funds amounted to $558.5 million, while expenditure from other funds amounted to $101.2 million. The combined actual expenditure therefore amounted to $659.7 million, compared with $584 million for the previous biennium.

15. The total combined income of $706.6 million for all funds fell short of the budgeted expenditure of $884.8 million by $178.2 million for the biennium 31 December 2001, although the actual combined expenditure for the biennium amounted to $659.7 million. **There was a surplus of $49.5 million (including a prior-year adjustment of $2.6 million) of income over expenditure for the biennium 2000-2001, compared with a surplus of $2.08 million for the biennium 1998-1999.** This excess was attributable mainly to the Emergency Appeal, which realized a surplus of income over expenditure of $43.5 million for the biennium 2000-2001 because the funding was received late in the biennium and will therefore not be expended until the biennium 2002-2003. The surplus of $43.5 million will be carried forward, in accordance with UNRWA practice.

16. The Board was pleased to note that as a result of the Administration's efforts, an increase in both the regular budget and non-regular budget contribution income (some 21 per cent over the prior biennium) was achieved.

2. United Nations system accounting standards

17. The Board assessed the extent to which the financial statements of UNRWA for the biennium 2000-2001 conformed to the United Nations system accounting standards. The review disclosed that the presentation of the financial statements was generally consistent with the standards. However, certain aspects of the presentation needed to be modified to bring the statements fully in line with those standards. The main area for attention was that costs incurred during construction and major long-term acquisitions that extended over more than one financial period had not been disclosed in a separate account in accordance with paragraph 50 of the accounting standards. These construction work-in-progress costs amounted to $7,065,038 as at 31 December 2001.

18. Paragraph 50 of the accounting standards also requires that the source of financing of the operations be disclosed separately. Note 9 to the UNRWA financial statements on land and buildings presents information that is contrary to this. According to the note, the costs had been disclosed by including them in the land and building figure as a result of the introduction of a new set of accounts. Such costs would be disclosed separately in the accounts for the next biennium. According to paragraph 16 of the accounting standards, wrong or inappropriate treatment of items in the financial statements is not rectified either by disclosure of accounting policies used or by explanatory material.

19. UNRWA informed the Board that with the implementation of the new financial management system, it would be possible to disclose the information in future periods.

20. **The Board recommended that UNRWA disclose the value of construction work in progress in the financial statements in order to comply with paragraph 50 of the United Nations system accounting standards, and UNRWA agreed.**

3. Presentation of financial statements

21. The objective of the financial statements is to provide information about the financial position and performance of the organization and changes in its financial position, as well as to ascertain its compliance with legislative and other authorities. The Board reviewed the presentation of the financial statements of UNRWA as at 31 December 2001 to assess the extent to which UNRWA had implemented the Board's recommendations made in respect of the financial statements for the biennium ended 31 December 1999.[2] The Board was pleased to note that UNRWA had implemented the previous recommendations made regarding the financial statements.

22. The Board identified additional aspects that could lead to further improvement of the financial statements. Only the balance of capital acquisitions, amounting to $317,045,314 for land and buildings and $65,795,282 for other fixed assets were disclosed in the notes to the financial statements. However, no details regarding the movements (acquisitions, disposals and write-offs) were provided. Furthermore, UNRWA capitalized its land and buildings, whereas it had expensed such transactions in the prior biennium. This represented a change in accounting policy

and also resulted in the restatement of prior-year balances. Details of the change in accounting policy and the restatement of amounts were not disclosed in the notes to the financial statements.

23. UNRWA has some 74 bank accounts in various currencies, with a total cash balance of some $56.5 million as at 31 December 2001. UNRWA had revalued its monetary assets to their fair value in compliance with paragraph 21 of the accounting standards. The Board is of the opinion that the risks relating to foreign currency and the methods used to minimize them would be valuable information to the users of the financial statements. In this regard, international accounting standard 39 provides useful guidance on the recognition, measurement and disclosure of financial assets and liabilities.

24. **The Board recommended that UNRWA provide more details on:**

(a) Capital acquisitions, disposals and write-offs made during the biennium to reflect movements from the opening to the closing balance;

(b) Changes in accounting policy and the restatement of prior-year amounts regarding land and buildings in the notes to the financial statements;

(c) Risks relating to foreign currency and the Agency's risk-management objectives in the notes to the financial statements.

UNRWA agreed that it would do so to the extent possible.

25. Statement 1 also reflects net adjustments of $2.7 million in respect of the prior year with regard to reclassifications and restatements resulting from changes in the financial regulations as well as recommendations of the Board. The Board noted that the disclosure in the notes to the financial statements could be improved to better explain the prior-year adjustments in detail.

26. **The Board recommends that UNRWA improve its disclosure in the notes to the financial statements to adequately explain the prior-year adjustments.**

4. End-of-service benefits

27. The Agency's accumulated separation benefits for area staff were estimated at $143.6 million as at 31 December 2001. The estimate was based on the Agency's current costs and regulations and rules. The separation benefits included accrued leave, termination indemnities and retirement benefits. **The Board is concerned, however, that this liability of $143.6 million in respect of staff termination benefits was still unfunded as at 31 December 2001.** UNRWA informed the Board that the estimated liability did not include international staff, since the United Nations would meet the cost of those separation benefits.

28. The amount of total reserves of $88.4 million as at 31 December 2001 (statement 2) was inadequate to meet the estimated liability. UNRWA indicated that owing to the lack of donor funding, the reserve had been discontinued in 1984, but that it would recreate the reserve should funding be forthcoming. UNRWA has a limited mandate, which was extended until 30 June 2005 by the General Assembly in its resolution 56/52 of 10 December 2001. The Board recognizes that UNRWA has limited resources, but the termination benefits represent a legal liability that the Agency would have to liquidate in the event that it ceased its operations.

29. The Board noted that UNRWA had provided, via the payroll, for anticipated retirement and separation benefits in the budget for each biennium. **During the biennium 2000-2001, a provision of $18.4 million was made, whereas the actual payments relating to retirement and separation benefits totalled $27.1 million, resulting in a deficit of $8.7 million that was not budgeted.** Due to the fact that a reserve did not exist for end-of-service benefits, the difference had to be funded from savings made within the staff cost budget. Accordingly, the savings on staff costs arose primarily from the high vacancy rate and the recruitment of new staff under the 1999 area staff rules, which have a lower cost structure than the pre-1999 area staff rules.

30. **The Board recommends that UNRWA, in conjunction with United Nations Headquarters, review the funding mechanism and targets for end-of-service liabilities in line with policies adopted by other United Nations organizations.**

5. Asset management

31. **An asset register was not being maintained for control over land and buildings valued at $317 million.** UNRWA responded that, despite not having a specific fixed asset register, the Engineering and Construction Service Division, as the custodian of all properties, maintained a comprehensive database of land and buildings. However, the Board noted that the listing was maintained for insurance and maintenance purposes, as the values on which the listing was based (replacement/market values) did not agree with the amount in the financial statements, which is based on historical cost. A fixed-asset module was purchased with the new financial management system, but it had not been implemented at the time of the audit. UNRWA informed the Board that the implementation of the new system would facilitate more control over assets.

32. Furthermore, the UNRWA office in Jordan could not provide asset registers for assets amounting to $9.7 million. Also, the asset listing made available by the Syrian field office included an opening balance of $5 million for which no details could be given and for which the related value card references were incomplete. The Board was also unable to verify the assets in Gaza and the West Bank at the time of the audit owing to the security concerns in the Middle East. The Board did note that inspections on land and buildings and on non-expendable equipment were performed periodically to verify the existence of the assets.

33. **The Board, therefore, was unable to obtain adequate assurance that the value of land and buildings of $317 million, based on historical cost, as stated in statement 2, was reasonable. Also, the Board could not obtain assurance that the non-expendable equipment balances for the Jordanian and Syrian field offices included in the consolidated balance of $65.8 million in the notes to the financial statements were reasonable.**

34. **The Board recommends that UNRWA implement the asset module included in the newly acquired financial management system as a matter of urgency in order to rectify the deficiencies in the management and control of fixed assets. In addition, proper asset counts should form the basis of validating data in the asset module, and the assets should be properly stated in the financial statements and the notes thereto in terms of the Agency's accounting policy.**

6. Unliquidated obligations

35. The Board noted that there was a significant increase in unliquidated obligations over the past three bienniums, with a significant increase of 396 per cent from the biennium 1996-1997 ($1,026,616) to the biennium 1998-1999 ($5,094,656), and a further increase of 53 per cent for the biennium 2000-2001 ($7,792,475).

36. Unliquidated obligations, as a percentage of expenditure to which they relate, also increased consistently, as shown in table 1.

Table 1
Unliquidated obligations in relation to expenditure

Biennium	*Expenditure (United States dollars)*	*Unliquidated obligations (United States dollars)*	*Percentage*
1996-1997	651 533 223	1 026 616	0.16
1998-1999	583 973 686	5 094 656	0.87
2000-2001	659 702 027	7 792 475	1.18

37. The Board noted that included in the unliquidated obligations as at 31 December 2001 were obligations outstanding since 1998, 1999 and 2000 amounting to $303,263, $31,407 and $388,032 respectively. This, along with the fact that included in those totals are amounts as immaterial as $9, was an indication that the unliquidated obligations were not always reviewed periodically by the certifying or alternate certifying official.

38. **The Board recommended that UNRWA review unliquidated obligations on a regular basis to ensure the validity of such obligations and cancel the obligations that are no longer required, and UNRWA agreed.**

7. Accounts receivable

39. **The Board noted that two tax authorities had subjected UNRWA to direct taxes and customs duties totalling $27 million, contrary to the Convention on the Privileges and Immunities of the United Nations.** In spite of the efforts of UNRWA, it was able to recover only $184,958 of the total amount, leaving a balance of $26,815,042 outstanding as at April 2002. It was further noted that outstanding customs and port charges included in the aforementioned balance had increased from $4.1 million for the biennium 1998-1999 to $7.2 million (75 per cent) for the biennium 2000-2001 and that no customs and port charges had been recovered since June 1994.

40. The Board indicated in paragraph 42 of its previous report[2] that $23.7 million was outstanding as at 31 March 2000 in respect of direct taxes and customs duties. The non-recovery of those balances result in the Agency's working capital being tied up in customs duties and value-added taxes and results in a potential loss of interest income that would have been earned had the funds been available. UNRWA informed the Board that it was vigorously pursuing the recovery of outstanding taxes and that since February 2002 it had been granted a value-added tax rating of zero for goods and services equal to or exceeding a value of $1,000 in Gaza.

41. **The Board reiterates its recommendation that UNRWA strengthen its efforts to recover the outstanding tax reimbursement of $26.8 million and that it make further appeals to the relevant administrations to fully accept the tax-exempt status of the Agency.**

42. **No age analysis reports were prepared during the biennium 2000-2001 for the ageing of debts.** An age analysis is a critical control measure to ensure that all accounts receivable are followed up on a timely basis to reduce the possibility of losses due to write-offs. An accounts receivable module was not available on the previous financial system, and a module for accounts receivable was purchased but had yet to be implemented in the new financial management system at the time of the audit. UNRWA informed the Board that it had aggressively pursued the collection of outstanding receivables using manual subsidiary ledgers.

43. **The Board recommends that UNRWA implement the accounts receivable module in order to follow up receivables balances in a timely manner.**

44. At the request of the Board for an age analysis of accounts receivable, UNRWA prepared an age analysis report for account 125 (miscellaneous claims and receivables), which indicated that the total amount of receivables outstanding for 120 days and longer was $1.4 million, of which $1.3 million related to the headquarters in Gaza.

45. **The Board recommended that UNRWA take appropriate action to resolve the long-outstanding amounts, and UNRWA agreed.**

8. Cash management

46. The Board noted that the cash-flow position of UNRWA remained critical owing to repeated funding shortfalls in previous years that had severely eroded the Agency's cash reserves. **As at 31 December 2001, the Agency had outstanding cash pledges under all accounts totalling $23.4 million, of which $18 million had been received by the time of the audit.**

47. As at 31 December 2001, unfunded expenditures of $5 million that had been incurred in the biennium 1998-1999 still existed in the 2000-2001 accounts in respect of the transfer of the Agency's headquarters from Vienna to Gaza. UNRWA was seeking the United Nations Secretariat's assistance in settling this amount.

48. The result of this shortfall is that UNRWA missed an opportunity to strengthen its cash-flow situation because of the loss of interest income that could have been earned if all the above amounts had been received in a timely manner.

49. Further discussion with management revealed that the cash-flow shortages were of a cyclical nature in the sense that at the beginning of the biennium, UNRWA was in a good cash-flow situation as contributions were being received. However, as the biennium progressed, cash-flow shortages were experienced because certain contributions were not being paid.

50. **The Board recommends that UNRWA conduct continuous follow-up on all outstanding contributions as well as long-outstanding debts.**

51. UNRWA informed the Board that the difficulty of the cash flow situation was caused mainly by shortfalls in the funding of activities and delays in the follow-up

of pledges by donors. UNRWA was therefore making efforts to broaden its donor base to raise additional funds.

52. In paragraph 41 of its prior report,[2] the Board noted that $24.2 million had been applied from the regular budget to pre-finance specific projects and that that amount was outstanding at 31 December 1999. **The Board again noted that various donor-specified projects had been pre-financed as at 31 December 2001.** Projects amounting to $4,989,529 were pre-financed, of which $3,561,977 was still outstanding as at the end of April 2002. Pre-financing of projects could have an effect on the implementation of other projects where the contributions for the pre-financed projects were not received in time. UNRWA indicated that there was no written policy on pre-financing and, in the interest of speedy project implementation, allotted funds were advanced against confirmed pledges. Some donors insisted on conditioning their project funding on a reimbursement basis.

53. **The Board reiterates its recommendation that UNRWA review its policy on the pre-financing of donor-specified projects in view of the adverse effects it could have on the implementation of other projects and its impact on the cash flow of UNRWA.**

9. Write-off of losses of cash, receivables and property

54. In line with UNRWA financial regulation 11.5, the Administration provided the Board with details on losses of cash and other non-expendable property written off during the biennium 2000-2001. This included the loss of cash amounting to $447. It was also noted that non-expendable property totalling $1,401,213 (based on original cost) had been written off in accordance with financial regulation 10.4. The amounts written off in respect of non-expendable property resulted from the loss of assets during the relocation of the Agency's headquarters from Vienna to Gaza in 1996, as commented on by the Board in paragraph 52 of its report on UNRWA for the biennium 1998-1999.[2]

10. Ex gratia payments

55. In line with UNRWA financial regulation 11.5, the Administration provided the Board with four cases of ex gratia payments totalling $13,979 in respect of the following:

(a) $2,000 to a former staff member pursuant to a United Nations Administrative Tribunal judgement;

(b) $1,522 to a trainee as compensation for personal injury suffered in an accident (out-of-court settlement);

(c) $10,000 to the parents of an UNRWA pupil who was killed in a fatal accident during school hours;

(d) $457 for medical insurance based on a past judgement.

C. Management issues

1. Agency headquarters

56. During 1995 and 1996, UNRWA headquarters were moved from Vienna to Amman and Gaza City. UNRWA headquarters provide operational and support services to the primary operations of the organization. The common functions provided by the Amman and Gaza headquarters during the biennium included but were not limited to:

(a) Administrative and transport services (telephone operator, mail, travel assistants, receptionists, drivers, etc.);

(b) Human resources services;

(c) Financial and accounting services;

(d) Public information services;

(e) Information system services.

57. The Board noted that UNRWA had reduced the duplication of functions by varying the nature and extent of services provided by the two headquarters. However, both UNRWA headquarters had evolved into sizeable operations. **Efficiency and cost-effectiveness could be further improved in such areas as travel expenditures and staff costs.**

58. With regard to travel costs, expenditures for the biennium 2000-2001 amounted to some $2,051,245. Of that amount $718,639 (35 per cent) and $822,274 (40 per cent) was incurred in respect of the Gaza and Amman headquarters respectively. UNRWA could not readily provide details as to the portion of travel costs incurred for meetings and other coordination activities between the two headquarters, that is, for travel from Gaza to Amman and vice versa. However, based on discussions with senior management of UNRWA and our own observations, such travel between the two headquarters occurs frequently as, to the Agency's credit, it places emphasis on effective coordination and collaboration between the two headquarters.

59. The UNRWA headquarters in Gaza has a higher cost for international staff than the one in Amman. International staff in Gaza were paid a post adjustment of 10.7 per cent compared with 3.9 per cent for their counterparts in Amman (rates as at July 2001). Also, an extended monthly evacuation allowance was paid to Gaza-based international staff and varied depending on level. UNRWA could not readily provide the Board with the actual expenditure incurred as a result of the post adjustment, as this was included as part of the total salary cost. In respect of evacuation allowances, an expenditure of $1,004,997 was incurred for the current biennium. Gaza international staff also received a hazard duty allowance of $603,556 for the current biennium. In addition to these obvious direct staff costs, UNRWA incurred indirect costs resulting from the establishment of two headquarters, such as non-productive hours spent on travel between the two headquarters, delays and complications at border crossings and increased communication costs.

60. The recent security concerns in the Middle East, especially in Gaza, and the fact that the audit had to be performed from the Amman headquarters because of the

security concerns in Gaza were a further indication that the nature and location of specific services should be re-evaluated.

61. **The Board recommends that UNRWA evaluate headquarters operating costs with a view to further optimizing efficiency and effectiveness. This evaluation should cover both quantifiable aspects and non-quantifiable matters.**

62. UNRWA agreed that maintaining multiple headquarters locations was not an ideal situation but that it was doing its utmost to minimize the negative impact of the arrangement. Because of the current political situation, conducting an evaluation of the benefits of merging the two locations at this stage would not be beneficial.

2. Human resources

63. UNRWA vacancy rates in certain of the offices were relatively high in comparison with one another and the budgeted vacancy rate. Table 2 illustrates the various vacancy rates for area staff per office as at December 2001.

Table 2
Vacancy rates as at December 2001

Location	*Total posts*	*Vacant posts*	*Vacancy rate (percentage)*
Amman headquarters	223	33	14.8
Gaza headquarters	154	32	20.8
Vienna	4	1	25.0
Gaza field office	7 396	185	2.5
Jordan field office	6 168	367	6.0
Lebanon field office	2 672	202	7.6
Syrian Arab Republic field office	2 881	147	5.1
West Bank field office	3 655	215	5.9
Total	**23 153**	**1 182**	**5.1**

64. The highest vacancy rates were at the headquarters — Amman (14.8 per cent) and Gaza (20.8 per cent). The budgeted vacancy rate for area staff was 2 per cent. For the 130 established international posts, 23 (17.7 per cent) were vacant as at December 2001. UNRWA informed the Board that the main reason for the vacancy rate at the Gaza headquarters for international staff was the security concerns in the area, and that it was therefore difficult to find suitable staff willing to work there. The high vacancy rate in Amman was due to the ongoing restructuring of the Information Systems Division.

65. **The Board recommends that UNRWA revise its recruitment strategy to lower the number of vacancies at headquarters to an acceptable level enabling the Agency's functions to be performed in the most efficient and effective manner.**

3. Internal audit

66. The Board conducted a detailed review of the Agency's internal audit function, which was vested in its Audit and Inspection Department. The findings of that review and the Board's recommendations are set out below.

International auditing standards

67. The Institute of Internal Auditors redefined internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations and that helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk-management, control and governance processes.

68. The Board noted that that definition had also been discussed at the UNRWA audit committee meeting on 20 April 2000, and that it was agreed that such a definition could well be applied to the UNRWA internal audit function.

69. The Institute of Internal Auditors is an international association dedicated to the continuing professional development of the individual internal auditor and the internal auditing profession. The standards for the professional practice of internal auditing issued by the Institute are the criteria by which the operations of an internal auditing department are evaluated and measured. The 2002 standards were adopted at the June 2002 meeting of representatives of internal audit services of the United Nations organizations.

70. **The Board recommended that the Audit and Inspection Department conform to the standards for the professional practice of internal auditing and the code of conduct established by the Institute of Internal Auditors, and the Department agreed.**

Departmental practices

71. Article XII of the UNRWA financial regulations provides for the establishment of an internal audit function. The mandate of the internal audit function is further expanded upon in organization directive No. 3, and organization directive No. 14 sets out the responsibilities and activities of the Audit and Inspection Department. The directive is a substitute for the conventional internal audit charter and covers the features that would normally be reflected in the charter. The Board was pleased to note that the Department reports directly to the Commissioner-General and has unrestricted access to all records and information.

72. The Commissioner-General, following a recommendation of the Audit Committee in April 2000, approved the expansion of the functions of the Audit and Inspection Department to include performance audits. However, the Board noted that the mandate of the Department remained unchanged.

73. **The Board recommended that the mandate of the Audit and Inspection Department be updated regularly to reflect the recent changes and expectations, and UNRWA agreed.**

Personnel

74. Not all of the Audit and Inspection Department staff have all the competencies required to provide the required assurance, particularly in the transition phase from a

narrow financial compliance focus towards a more value-adding operational focus. The Board encourages the Department to compare the competencies of the existing staff to the required competencies once the extent and levels of assurance required have been determined. Staff may then be afforded the opportunity to acquire the required competencies.

75. The Audit and Inspection Department informed the Board that enquiries had been made at various internationally recognized institutions and that a verbal confirmation of gratis training had been received from the Audit Bureau of Jordan, for which a formal training programme had been developed. Furthermore, it was noted that staff of the Department had attended a basic investigative training course.

76. The Board recommended that UNRWA develop a formal professional development strategy with a view to providing up-to-date technical knowledge and competencies to ensure that the Audit and Inspection Department collectively obtains the required competencies and skills.

Use of technology

77. Information technology can generally assist in the recording of audit work, the standardization of working papers and reports, data interrogation and analysis, and administrative functions. The Department made use of information technology only for sampling purposes and, consequently, computer-assisted auditing techniques were not generally used and the available software (Idea) was underutilized. The Board noted that funding for training in this area was needed, but that the Department would identify training opportunities and, if necessary, seek additional funding.

78. As the application of computer-assisted auditing techniques is applicable in all information technology environments, the Board recommended that the application of such techniques be extended to increase the effectiveness and efficiency of the internal audits, and UNRWA agreed.

Internal auditing practices

79. Risk assessment is defined in the standards of the Institute of Internal Auditors as a systematic process for assessing and integrating professional judgements about probable adverse conditions and/or events. The risk-assessment process should thus provide a means of organizing and integrating professional judgements for the development of the audit work schedule.

80. The Director of the Audit and Inspection Department compiled the 2001 auditing work plan taking into account the results of the previous year's audits, especially those not completed; data gathered during the year; and senior management's responses to a request for input. However, no evidence could be provided that risks had been analysed in a structured way to establish where and how the Department should focus its attention. More specifically:

(a) Not all auditable activities and their relevant risk factors had been identified;

(b) The relative significance of the various risks had not been assessed;

(c) No consideration had been formally given to the control environment to assess residual risks.

81. The Board noted that a risk assessment identifying audit projects to be performed had been completed for each year of the biennium 2002-2003, but no detailed programme indicating the time frames and resources per project on a monthly basis had been developed to date.

82. **The Board recommended that the Audit and Inspection Department develop a detailed programme indicating the time frames and resources per project for all audit assignments that were expected to be carried out in 2002 and beyond.**

Performing individual audits

83. The Audit and Inspection Department performs mainly the following types of assignments:

(a) Compliance audits;

(b) Financial audits;

(c) Performance audits (evaluations of efficiency, effectiveness and economy);

(d) Information technology audits.

84. During the biennium 2000-2001, the Department issued 32 reports of which 8 (25 per cent) were financial audits, 10 (31 per cent) were compliance audits, 9 (28 per cent) were performance audits and 5 (16 per cent) were information technology audits.

85. The compliance audits are conducted using the Financial Regulations and Rules of the United Nations and other approved guidelines as the source of compliance, while the financial audits are conducted using the audit programmes contained in the Audit Manual.

86. The UNRWA Audit Committee recommended that all Audit and Inspection Department staff be given appropriate training in the application of the new guidelines on performance auditing and apply the same criteria in future audits. The Board concurred with the recommendation of the Audit Committee and encouraged the Department to expedite the completion of such tasks.

87. A review of certain working paper files covering a range of audits revealed that the level of planning varied among the various auditors but that, generally, sufficient background information had been obtained to ensure a clear understanding of the function or area that had been audited. It is good practice to properly plan individual audits to ensure that significant areas of audit activities are identified and covered during the audit. There was, however, no evidence that the audit programmes had been reviewed before the commencement of the audits.

88. A number of working paper files were selected in order to evaluate the quality of working papers, sampling and other selection procedures and the quality of evidence and to review fieldwork and completion procedures. Working papers were generally found to have been sufficient to demonstrate that the standards of the Institute of Internal Auditors with regard to the various stages of the audit had been adhered to, namely, planning, scope, fieldwork and reporting. The quality of supporting evidence was evaluated for its relevancy in terms of achieving the stated

objectives and was generally found to be sufficient. Generally, there was no evidence that working papers had been reviewed.

89. The Board found that the Audit and Inspection Department could improve on completion procedures. In order to comply fully with the standards of the Institute of Internal Auditors, the following areas needed to be considered:

(a) Evidence that the file has been reviewed, ensuring that conclusions have been reached and agreed between all sections of the working papers and the report;

(b) Assurance that all audit steps have been performed;

(c) Evidence of adequate follow-up and resolution of problems highlighted during the audit and recommendations made by the auditors.

90. With regard to the overall process for performing individual audits, the Board recommended that the Audit and Inspection Department adequately review the audit working papers, in a timely manner and at the appropriate level, in compliance with Institute of Internal Auditors standards, and the Department agreed. The Department also agreed to improve on the completion procedures as they relate to file reviews, completeness and follow-up.

Reporting on audits

91. The timeliness of reporting by the Audit and Inspection Department was of concern. An analysis of specific audits revealed that in certain instances it took UNRWA more than six months to issue the final report after the fieldwork had been completed. The risk of delayed reporting is that the conditions prevailing during the audit might have changed significantly, and therefore the efforts and results obtained by way of the audit could have been negated.

92. The Board recommended and UNRWA agreed that stricter time frames should be established and enforced to improve and strengthen the processes of reporting and follow-up.

93. UNRWA informed the Board that the Department would adopt appropriate means to compare actual against budgeted time for review and to follow up variances.

Supervision

94. The Director of the Audit and Inspection Department was responsible for supervision in terms of the Institute of Internal Auditors standards, which cover the total audit process, from the planning of the audit up to the conclusion of the audit assignment. The extent of supervision was, however, dependent on the skill and proficiency of the auditors used as well as the complexity of the audit.

95. It was acknowledged that the internal auditors were qualified and experienced, but there was no evidence that the following formal procedures had been followed:

(a) Communicating audit instructions at the start of audits;

(b) Ensuring that the approved audit programme was carried out and that any deviations in terms of scope or time spent were properly justified;

(c) Determining that the preset audit objectives have been met.

96. In this regard, it was noted that an overall review checklist had been completed for each audit project, but little evidence was found of a review having been done with regard to specific audit working papers and the supervision process.

97. **The Board recommended that the Audit and Inspection Department strengthen supervisory responsibilities, as appropriate, as well as its documentation of the supervisory review, and the Department agreed.**

Performance measurement

98. The Board noted that weekly time sheets were being kept for each staff member for the recording of time allocated against the various audit projects and indirect activities. This information was summarized after the completion of the audit, but no comparison was done against the budgeted audit time for review and follow-up of the variances.

99. Furthermore, it was noted that the above-mentioned time sheets were inadequate to monitor the actual audit time against budgeted time during the performance of the audit project, since the time was not captured for each audit stage (planning, execution and reporting). Therefore, budget overspending could not be readily identified and specifically remedied.

100. With regard to the assessment of the status of the implementation of the Audit and Inspection Department recommendations, a response and recommendation implementation table was implemented for each audit project. However, the Department has not made provision on this table for follow-up of the responses received from the specific responsible departments.

101. **The Board recommends that the Audit and Inspection Department develop, implement and monitor detailed time sheets. The Department agreed to amend the table of recommendations to provide for follow-up of specific responses, and agreed that a summarized table should be kept for overall follow-up and review purposes.**

Quality assurance

102. The Audit and Inspection Department did not apply a formal quality assurance system — either through direct supervision of work performed or through the review of working papers or regular internal or external quality assurance reviews. The Board noted that an external peer review was performed by the Office of Internal Oversight Services in March 2002. The only type of quality control that was evident was the review of the individual audit reports by the Director before they were signed off for release.

103. It is acknowledged that the degree of supervision is dependent on the proficiency of the internal auditors and the degree of complexity of the respective audits. **However, the Board recommends that the Department improve its quality assurance process and that it furthermore conduct internal quality assurance reviews on a regular basis.**

104. UNRWA informed the Board that the Department would further improve its quality assurance process by documenting and retaining appropriate evidence of supervision, including internal quality assurance, on a regular basis. The Department

was also in the process of implementing the recommendations made in the peer review.

4. Information and communication technology

Disaster recovery plan

105. The Board noted that, although the Information Systems Office operating manual did refer to a disaster recovery plan, a formal written updated and approved plan for UNRWA did not exist.

106. **The Board recommends that UNRWA update the disaster recovery plan for all areas.**

107. UNRWA informed the Board that the disaster recovery plan would be given a high priority after the implementation of the Information System Division restructuring.

Programme change control procedures

108. The Board noted that during the period under review, changes were made in production programmes relating to the existing application systems; however, no programme change control procedures existed to effect changes in the application systems. UNRWA was not able to address the issue of its structure and resources at the time of the audit.

109. The Board noted that programmers had access to the production environment for the transfer of changes, which allowed them to write, test and implement as well as maintain the programmes. The risk existed that the programmers could make unauthorized changes, which could lead to fraud being perpetrated and financial loss to UNRWA.

110. **The Board recommended that UNRWA formally compile, document and approve programme change control procedures covering the entire process, from the initial change request to the eventual migration of the change into the production environment, and UNRWA agreed.**

Systems development life cycle

111. The Board reviewed the systems development life-cycle methodology followed by UNRWA for the implementation of the new finance and payroll systems that were developed by a supplier.

112. UNRWA has entered into a contract amounting to $1,370,345 for the implementation and maintenance of the combined payroll and finance system. However, no formal systems development life-cycle methodology had been developed. Without the guidance provided by such a methodology, control over the design and implementation of new applications and the achievement of business and application control requirements might not be feasible.

113. It was noted that the Reality software package, which was purchased in October 1992, included an asset management module. The non-utilization of this module could be regarded as wasted expenditure, of which the value could not be determined as the contract provided for an overall price for the system.

114. UNRWA indicated that, because of incompatibility with the Agency's system, customization of the Reality module had not been pursued since priority was given to the other modules. This indicates that proper systems development life-cycle methodology was not followed, which resulted in the Agency's purchasing an incompatible module.

115. **The Board recommends that UNRWA develop a formal systems development life-cycle methodology to govern the process of developing, acquiring, implementing and maintaining computerized information systems and related technology.**

116. UNRWA informed the Board that the development of a systems development life-cycle methodology was a major task to be undertaken by a proposed head development unit, to be established as part of the restructuring of the Information System Division.

5. Cases of fraud and presumptive fraud

117. The Administration informed the Board of three cases of fraud that had come to its attention during the biennium 2000-2001. Two cases involved a total loss to UNRWA of $1,004. The Administration recovered $986, leaving a balance of $18 outstanding as at 31 December 2001. Two staff members' appointments were terminated. The other case related to the use of UNRWA letterhead stationery and its official stamp in order to obtain favourable tariffs and to take advantage of the Agency's tax-free status. Two staff members were immediately suspended, one of whom was subsequently reinstated. The inquiry was still in progress at the time of the audit.

118. In the biennium 1998-1999, the Office of Internal Oversight Services conducted an investigation into allegations of corruption and fraud in an UNRWA field office, following reports in the news media. No evidence substantiating the allegations were found. In November 2000, the Audit and Inspection Division investigated fraud and corruption in one field office relating to payroll costs and resulting from collusion among employees. Fortunately, UNRWA was able to recover the money to the extent that it had been defrauded. Further cases have been noted by the Department, which were being investigated.

119. The Board noted that the senior management of UNRWA, the Department and their staff took a strong stance against matters of fraud and potential fraud. **The Board also notes that UNRWA included elements of fraud prevention in different rules and procedures, but did not have a formal structured fraud-prevention plan.** Fraud prevention cannot be achieved with regulations and internal controls alone, but rather with a proactive strategy and a resulting structured plan.

120. The Board believes that a well-structured and well-implemented plan could also have the benefit of increasing donor confidence in UNRWA. In developing the fraud prevention plan, UNRWA should consider:

(a) Establishing a corruption and fraud prevention committee to serve as an effective framework and coordination point for a corruption and fraud prevention plan;

(b) Implementing comprehensive and well-communicated organizational systems, policies and procedures;

(c) Developing and implementing a formal corruption and fraud response plan setting out procedures for reporting of fraud by employees and subsequent follow-up steps;

(d) Conducting ethics, corruption and fraud-awareness training sessions and workshops among managers, international and area employees and other stakeholders;

(e) Strengthening existing detection mechanisms and developing new ones;

(f) Developing appropriate resolution mechanisms for reported and detected incidents and allegations of corruption and fraud.

121. **The Board recommends that UNRWA develop its own fraud-prevention plan, including fraud-awareness initiatives. In developing the plan, UNRWA should discuss features of it with the United Nations and other funds and programmes to obtain the benefits of best practices, where available, in specific elements or all of the elements being considered.**

122. UNRWA informed the Board that there was a solid professional base in the Department for conducting investigations. Also, once funding was secured, professional development training in forensic auditing would be conducted. UNRWA would carefully consider developing a fraud-prevention plan in conjunction with the United Nations.

D. Acknowledgements

123. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended to its staff by the Commissioner-General, senior officers of UNRWA and members of their staff. This cooperation and assistance was especially welcome in view of the fact that the audit had to be performed from Amman during an extremely difficult time as a result of the crisis in the Middle East.

(*Signed*) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa

(*Signed*) Guillermo N. **Carague**
Chairman, Philippine Commission on Audit

(*Signed*) François **Logerot**
First President of the Court of Accounts of France

27 June 2002

Annex

Follow-up on action taken on the recommendations of the Board of Auditors in its report for the biennium ended 31 December 1999*

1. The Board has followed up on the actions taken by the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) to implement the Board's recommendations made in the context of its report for the biennium ended 31 December 1999. Table A.1 summarizes the status of implementation of all the previous recommendations, while table A.2 details specifically those recommendations not implemented and those recommendations under implementation that require further comment.

2. Out of a total of nine recommendations, five had been implemented and three were under implementation, while only one had not been implemented.

* *Official Records of the General Assembly, Fifty-fifth Session, Supplement No. 5C* (A/55/5/Add.3), chap. II.

Table A.1
Summary of the status of implementation of recommendations for the biennium 1998-1999

Topic	*Implemented*	*Under implementation*	*Not implemented*	*Total*
A. Financial issues				
Cash-flow statement	para. 19	-	-	1
Contingent liabilities	para. 21	-	-	1
Presentation of financial statements	para. 26	-	-	1
Format of income and expenditure statement	para. 28	-	-	1
Cash management	-	-	para. 41	1
Accounts receivable	-	para. 44	-	1
Subtotal				
Number	**4**	**1**	**1**	**6**
Percentage	**100**	**0**	**0**	**100**
B. Management issues				
Programme management	para. 34	-	-	1
Overpayments of allowance	-	para. 51	-	1
Asset management	-	para. 55	-	1
Subtotal				
Number	**1**	**2**	**0**	**3**
Percentage	**20**	**60**	**20**	**100**
Total				
Number	**5**	**3**	**1**	**9**
Percentage	**56**	**33**	**11**	**100**

Table A.2
Details on previous recommendations under implementation or not implemented for the biennium 1998-1999

Management			
Area of concern	*Recommendation*	*Specific management action/comments as at 30 April 2002*	*Comments of the Board*
Cash management, para. 41	The Board recommends that the Administration review its policy on the pre-financing of donor-specified projects in view of the adverse effect on the cash flow of the Agency. Also, the Administration should recover $24.2 million outstanding from donors and reimburse the regular budget funds.	There is no written policy on pre-financing of donor-specified projects. In the interest of speedy implementation and quick receipt of project funds from a donor, there have been instances, on an ad hoc basis, where the allotment of funds was advanced in order to initiate preliminary project implementation actions, e.g., preparation of tender documents, etc. and meet the initial funding requirements of a project. This practice was limited on paper only, it never really had any impact on the Agency's resources. Also, it is worth noting that some donors (one or two at the most) insist on conditioning their project funding on a reimbursement basis. However, at any point in time, total project allotments never exceeded total project funds received, and therefore, such a practice, if needed, never had an impact on the Agency's cash-flow situation.	Not implemented. Addressed in paras. 46-53 of the present report.
Accounts receivable, para. 44	The Board recommends that the Agency strengthen its efforts to recover the outstanding tax reimbursement of $23.72 million and that it make further appeals to two Governments to accept the tax-exempt status of the Agency.	The Agency is vigorously pursuing this matter on an ongoing basis.	Under implementation. Refer to paras. 39-45 of the present report.
Allowances, para. 51	The Board recommends that the Administration recover all overpayments relating to extended monthly evacuation allowances and education grants. The Board also recommends that the Administration review the various administrative instructions relating to extended monthly evacuation allowances and education grants to remove ambiguities in their interpretation and application.	Out of the initial 14 cases, 9 have fully settled, 2 are under appeal and 3 are being processed by the Legal Office.	Under implementation. The Board will continue to keep this matter under review. (An amount of $46,092 was recovered, while $253,000 remained outstanding.)

Management			
Area of concern	*Recommendation*	*Specific management action/comments as at 30 April 2002*	*Comments of the Board*
Asset management, para. 55	The Board recommends that the Administration develop and implement a computerized asset management system in order to better manage and control its non-expendable property items.	Acquisition of the fixed-asset module with the new financial management system during the biennium 2000-2001.	Under implementation. Refer to paras. 31-34 of the present report.

Chapter III
Audit opinion

We have audited the accompanying financial statements numbered 1 to 7 and the supporting notes of the United Nations Relief and Works Agency for Palestine Refugees in the Near East for the financial period ended 31 December 2001. The financial statements are the responsibility of the Commissioner-General. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position at 31 December 2001 and the results of operations and cash flows for the period then ended in accordance with the Agency's stated accounting policies set out in note 2 to the financial statements, which were applied on a basis consistent with that of the preceding financial period.

Further, in our opinion, the transactions of the United Nations Relief and Works Agency for Palestine Refugees in the Near East, which we have tested as part of our audit, have, in all significant respects, been in accordance with the Financial Regulations and Rules and legislative authority.

In accordance with article XII of the Financial Regulations and Rules, we have also issued a long-form report on our audit of the Agency's financial statements.

(*Signed*) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa

(*Signed*) Guillermo N. **Carague**
Chairman, Philippine Commission on Audit

(*Signed*) François **Logerot**
First President of the Court of Accounts of France

27 June 2002

Chapter IV
Certification of the financial statements

10 March 2002

Pursuant to financial regulations 11.4 and 12.1, I have the honour to submit the accounts of the United Nations Relief and Works Agency for Palestine Refugees in the Near East for the biennium ended 31 December 2001.

I certify that all transactions have been properly recorded in the accounting records and have been properly reflected in the Agency's financial accounts and appended statements, which I hereby certify as correct.

(*Signed*) **Ramadan Al Omari**
Comptroller
UNRWA Headquarters (Gaza)

Chapter V

Financial statements for the biennium ended 31 December 2001

A. Financial statements

STATEMENT I

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

STATEMENT OF [illegible] AND CHANGES IN WORKING CAPITAL AND FUND BALANCES

For The Biennium 2000-2001
(In USD)

1998-1999 ALL FUNDS	DETAILS	REGULAR BUDGET FUNDS			NON-REGULAR BUDGET FUNDS			OTHER FUNDS		TOTAL ALL FUNDS
		Cash	In-Kind	Total	Emergency Appeal	Projects *	Total	Microfinance & Microenterprise Programme **	Income Generation Programme	
	INCOME									
	Contributions									
436,718,071	Governments	405,198,772	21,915,667	427,114,440	83,570,302	23,820,199	107,390,501	16,451	-	534,521,391
114,536,473	Inter-Governmental Organizations	106,471,635	10,718,801	117,190,436	16,960,457	3,147,107	20,107,564	190,000	-	137,488,000
28,625,111	U.N. Organizations	26,239,014	2,028,163	28,267,177	46,172	84,000	130,172			28,397,349
1,634,430	Non-Governmental Organizations	72,107	1,445,710	1,517,817	109,544	139,029	248,573			1,766,390
1,246,910	Other Sources	111,329	929,881	1,041,210	585,193	-	585,193			1,626,403
580,760,995	Total Contributions	538,092,858	37,038,222	575,131,080	101,271,668	27,190,335	128,462,003	206,451	-	703,799,534
	Other Income									
6,219,076	Miscellaneous Income	3,178,430	-	3,178,430	-	139,271	139,271	3,698,582	227,168	7,243,451
(832,814)	Exchange Gains/(Losses)	(4,472,687)	(57)	(4,472,744)	-	-	-	5,155	-	(4,467,590)
5,386,262	Total other income	(1,294,257)	(57)	(1,294,314)	-	139,271	139,271	3,702,736	227,168	2,775,861
586,082,356	TOTAL INCOME	536,798,602	37,038,165	573,836,766	101,271,668	27,329,606	128,601,274	3,910,187	227,168	706,576,396
(583,673,686)	EXPENDITURE	(515,388,929)	(43,107,471)	(558,496,400)	(67,738,672)	(36,249,416)	(93,988,088)	(7,000,164)	(217,344)	(659,702,027)
2,408,670	EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	21,409,673	(6,069,307)	15,340,366	43,532,996	(8,919,810)	34,613,186	(3,090,007)	9,824	46,873,369
183,826	Prior Years' Adjustments ***	(8,794,026)	886,569	(7,907,456)	-	10,428,329	10,428,329	74,166	60,578	2,655,617
2,592,496	NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	12,615,647	(5,182,738)	7,432,910	43,532,996	1,508,519	45,041,515	(3,015,841)	70,402	49,528,986
22,211,309	Opening Working Capital/Fund Balances	(4,090,107)	14,481,718	10,391,611	-	12,071,475	12,071,475	1,885,277	86,293	24,434,656
10,991,611	Closing Working Capital	8,525,541	-	8,525,541	-	-	-	-	-	8,525,541
12,110,626	Closing Fund Balances	-	9,298,980	9,298,980	43,532,996	13,579,994	57,112,990	190,000	-	66,601,970
1,971,669	Retained Earnings	-	-	-	-	-	-	(1,320,564)	156,694	(1,163,869)

* Please refer to Statement II for details of "Projects"
** Please refer to Appendix A for details of "Microfinance and Microenterprise Programme"
*** Please refer to Statement III for details

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

ASSETS AND LIABILITIES STATEMENT

As at 31 December 2001
(in USD)

As at 31.12.1999 ALL FUNDS	PARTICULARS	REGULAR BUDGET FUNDS	NON-REGULAR BUDGET FUNDS			OTHER FUNDS		TOTAL ALL FUNDS
			Emergency Appeal	Projects *	Total	Microfinance & Microenterprise Programme **	Income Generation Programme	
	ASSETS							
30,393,695	Cash on Hand and in Banks ***	(4,412,517)	44,819,345	12,787,968	57,617,313	2,361,107	890,310	56,456,214
32,564,012	Accounts Receivable net of provision for uncollectable amounts	47,753,576	101,441	633,606	935,047	11,257,452	967,825	60,913,900
401,451	Prepaid expenses and advances to suppliers	1,013,501	22,065	140,803	162,867	16,111	-	1,192,499
2,015,561	Production Units Inventory	2,085,178	-	-	-			2,085,178
2,784,104	Due From Area Staff Provident Fund	505,637	-	-	-			505,637
288,675,278	Land and Buildings	317,045,314	-	-	-			317,045,314
357,434,209	TOTAL ASSETS	363,990,689	44,942,871	13,772,377	58,716,248	13,634,679	1,858,135	438,199,741
	LIABILITIES:							
12,095,643	Accounts Payable	17,115,339	1,367,248	51,580	1,436,828	1,717,206	360,762	20,632,135
5,094,658	Reserve for Unliquidated Budget Commitments	7,792,475	-	-	-			7,792,475
237,116	Provision for Goods-in-Transit & Outstanding PO's	1,471,339	22,628	140,803	163,430			1,634,769
656,734	Provision for Carry Forwards	169,500	-	-	-			169,500
12,000,000	Income received in advance	2,572,200	-	-	-			2,572,200
30,084,150	Accounts Payable and Accruals	29,120,853	1,409,875	192,383	1,802,258	1,717,206	360,762	32,801,079
				-				
	RESERVES:			-				
				-				
10,391,611	Working Capital	8,525,541	-	-	-	-	-	8,525,541
12,110,528	Fund Balances	9,298,980	43,532,996	13,579,994	57,112,990	190,000	-	66,801,970
288,675,278	Capital Funds relating to Land and Buildings	317,045,314						317,045,314
1,871,888	Retained Earnings	-		-	-	(1,320,564)	156,694	(1,163,869)
14,081,076	Accumulated Reserve		-	-		13,048,026	1,340,678	14,388,704
				-				
357,434,209	TOTAL LIABILITIES AND RESERVES	363,990,689	44,942,871	13,772,377	58,716,248	13,634,679	1,858,135	438,199,741

* Please refer to Statement 7 for details of "Projects"
** Please refer to Appendix 5 for details of "Microfinance and Microenterprise Programme"
*** Negative cash balance represents due to other funds

STATEMENT 3

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

CASH FLOW STATEMENT
For The Biennium 2000-2001
(In USD)

BIENNIUM 1998-1999	DETAILS	BIENNIUM 2000 - 2001	
	CASH FLOWS FROM OPERATING ACTIVITIES:		
2,078,570	EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	46,873,369	
4,068,040	Add: increase in Reserve for Unliquidated Budget Commitments	2,697,819	
(6,849,842)	Add: increase in Provision for Goods-in-Transit & Outstanding PO's	1,397,653	
1,699,217	Add: increase in Accounts Payable	8,596,443	
92,831	Add: decrease in Food Commodities Loaned		
(10,595,517)	(Less): increase in Accounts Receivable net of provision	(28,349,888)	
(103,865)	(Less): increase in Production Units Inventory	(69,627)	
9,597,343	(Less): increase in Prepaid Expenses and advances to suppliers	(791,048)	
180,016	(Less): decrease in Provision for Carry Forwards	(687,234)	
(6,966,556)	(Less): Interest Income	(2,914,783)	
1,347,962	Plus: Interest transferred to projects	1,892,968	
(932,814)	Plus: Exchange Gains/(Losses)	4,467,590	
(9,384,615)	**NET CASH FROM OPERATING ACTIVITIES**		**33,113,292**
	CASH FLOWS FROM FINANCING ACTIVITIES:		
14,061,078	Add: increase in Accumulated Reserve (MMP/IGP)	327,628	
(403,263)	Add: decrease in Dues from Provident Fund	2,278,467	
740,219	(Less): decrease in Income Received in Advance	(9,427,800)	
6,966,556	Plus: Interest Income	2,914,783	
(1,347,962)	(Less): Interest transferred to projects	(1,892,968)	
932,814	(Less): Exchange Gains/(Losses)	(4,467,590)	
20,949,442	**NET CASH FROM FINANCING ACTIVITIES**		**(10,267,479)**
	CASH FLOWS FROM OTHER SOURCES:		
183,828	Prev Years' Adjustments	2,655,617	
(8,359,218)	Reclassification of Fund Balances (MMP)	(39,050)	
(8,175,390)	**NET CASH FROM OTHER SOURCES**		**2,616,567**
6,389,437	**NET INCREASE (DECREASE) IN CASH**		**25,462,350**
24,604,428	Cash Balance as at 01 01 2000		30,993,865
30,993,865	Cash Balance as at 31 12 2001		56,456,214
6,389,437	**Net Increase in Cash Balances**		**25,462,350**

UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST

STATEMENT 4

BUDGET AND EXPENDITURE
For The Biennium 2000-2001
(In USD)

Details	Budget			Expenditure		
	Cash	In-Kind	Total	Cash	In-Kind	Total
REGULAR BUDGET FUNDS						
Education Programme						
Education Planning & Management	13,138,000	899,000	14,037,000	10,270,192	574,170	10,844,362
Elementary Education	172,756,000	28,000	172,784,000	175,811,362	2,969,772	178,781,133
Preparatory Education	111,229,000	36,000	111,265,000	108,303,928	808,176	109,112,104
Secondary Education	1,813,000		1,813,000	1,944,762	-	1,944,762
Vocational & Prof. Training	25,808,000	397,000	26,205,000	24,724,133	522,903	25,247,036
Pre-Service Teacher Education	2,267,000		2,267,000	1,867,894	792	1,868,687
Other Activities			-	1,394	120	1,514
Total Education Programme	**327,011,000**	**1,360,000**	**328,371,000**	**322,925,666**	**4,075,033**	**327,799,699**
Health Programme						
Programme Management	6,073,000	348,000	6,421,000	4,885,964	373,340	5,259,304
Medical Care Services	68,808,000	2,420,000	71,228,000	67,733,349	2,178,698	69,912,047
Environmental Sanitation	19,648,000	138,000	19,786,000	17,433,613	69,412	17,503,025
Nutrition & Supplementary Feeding	76,000	8,981,000	9,057,000	(13,659)	6,641,102	6,627,443
Special Environmental Health Programme, Gaza	1,211,000		1,211,000	889,717	-	889,717
Total Health Programme	**95,816,000**	**11,887,000**	**107,703,000**	**90,928,984**	**9,262,552**	**100,191,537**
Relief & Social Services Programme						
Programme Management	2,913,000	-	2,913,000	2,537,176	-	2,537,176
Relief Services	26,253,000	27,650,000	53,903,000	24,652,081	23,941,257	48,593,339
Social Services	5,596,000	30,000	5,626,000	5,795,336	195,298	5,990,634
Total Relief & Social Services Programme	**34,762,000**	**27,680,000**	**62,442,000**	**32,984,594**	**24,136,555**	**57,121,149**
Operational Services						
Procurement and Logistics	24,467,000	64,000	24,531,000	20,984,363	4,826,283	25,810,646
Engineering and Construction Services	5,921,000	8,000	5,929,000	5,697,072	-	5,697,072
Self Supporting Units			-	594	-	594
Total Operational Services	**30,388,000**	**72,000**	**30,460,000**	**26,682,029**	**4,826,283**	**31,508,312**
Common Services						
General Management	27,839,000	162,000	28,001,000	23,827,050	3,013	23,830,063
Administration	28,306,000		28,306,000	18,042,605	3,135	18,045,741
Salary Increase Reserve	12,000,000		12,000,000			
Working Capital Build Up Reserve	14,000,000		14,000,000			
Total Common Services	**82,145,000**	**162,000**	**82,307,000**	**41,869,655**	**6,148**	**41,875,804**
Total Regular Budget Funds	**570,122,000**	**41,161,000**	**611,283,000**	**515,388,929**	**43,107,471**	**558,496,000**
NON-REGULAR BUDGET FUNDS						
Emergency Appeal	**113,170,000**	**306,347**	**113,476,333**	**57,432,425**	**306,347**	**57,738,672**
Projects						
Post 1999 Projects	29,607,936	1,446,450	31,054,386	15,496,334	1,446,450	16,942,784
Peace Implementation Programme	27,584,370		27,584,370	16,172,579	-	16,172,579
Lebanon Appeal	2,165,237		2,165,237	1,710,779	-	1,710,779
Capital and Special Projects	1,427,299		1,427,299	1,099,450	33,947	1,133,397
Expanded Programme of Assistance	555,129		555,129	289,877	-	289,877
Total Projects	**61,339,971**	**1,446,450**	**62,786,421**	**34,768,019**	**1,480,397**	**36,248,416**
Unfunded Projects	92,184,316		92,184,316			
Total Non-Regular Budget Funds	**266,694,373**	**1,752,897**	**268,447,070**	**92,201,444**	**1,786,844**	**93,988,088**
MICROFINANCE & MICROENTERPRISE PROGRAMME	**4,901,403**	**-**	**4,901,403**	**7,000,194**		**7,000,194**
INCOME GENERATION PROGRAMME	**177,779**	**-**	**177,779**	**217,344**		**217,344**
TOTAL ALL FUNDS	**841,895,555**	**42,913,897**	**884,809,252**	**614,807,912**	**44,894,115**	**659,702,027**

STATEMENT 6

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

STATEMENT OF WORKING CAPITAL AND FUND BALANCES
For The Biennium 2000-2001
(in USD)

BIENNIUM 1998-1999 ALL FUNDS	DETAILS	REGULAR BUDGET FUNDS			NON-REGULAR BUDGET FUNDS			OTHER FUNDS		TOTAL ALL FUNDS
		Cash	In-Kind	Total	Emergency Appeal	Projects	Total	Microfinance & Microenterprise Programme	Income Generation Programme	
(9,979,825)	Working Capital as at 01.01.2000	(4,090,108)		(4,090,108)	-	-	-			(4,090,108)
32,191,134	Fund Balance as at 01.01.2000		14,481,719	14,481,719	-	12,071,475	12,071,475	1,916,100	94,520	28,563,814
	Adjustment of MMP and IGP Retained Earnings							(30,823)	(8,227)	(39,050)
22,211,309	Total Working Capital Balances as at 01.01.2000	(4,090,108)	14,481,719	10,391,611	-	12,071,475	12,071,475	1,885,277	86,293	24,434,656
(993,318)	Adjustment to prior years Income and Expenditure (*)	(11,017,221)	886,569	(10,130,652)	-	10,423,310	10,423,310	74,166	60,578	427,402
998,234	Prior Years' adjustments - Accts Payable & Liabilities	1,237,374		1,237,374	-	5,019	5,019			1,242,393
7,507	Prior Years' adjustments - Savings on Liquidated Obligations	926,333		926,333	-	-	-			926,333
202,721	Prior Years' Adjustments - Savings on Goods In Transit	45,335		45,335	-	-	-			45,335
(29,318)	Prior Years' Adjustments - Provident Fund and Staff Cost	14,153		14,153	-	-	-			14,153
183,828	Total Adjustments	(8,794,026)	886,569	(7,907,456)	-	10,428,329	10,428,329	74,166	60,578	2,655,617
2,078,570	Excess (Shortfall) of Income Over Expenditure	21,409,673	(6,069,307)	15,340,366	43,632,996	(8,919,810)	34,613,186	(3,090,007)	9,824	46,873,369
24,473,787	Working Capital / Fund Balances as at 31.12.2001	8,526,540	9,298,981	17,824,521	43,632,996	13,579,994	57,112,990	(1,130,564)	156,694	73,963,642

(*) Including adjustment made for European Gaza Hospital amounting to USD 11,319,987

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

NON-REGULAR FUND - PROJECTS
STATEMENT OF INCOME, EXPENDITURE AND CHANGES IN FUND BALANCES
For The Biennium 2000-2001
(in USD)

BIENNIUM 1998-1999	DETAILS	Post 1999 Projects	Peace Implementation Programme	Lebanon Appeal	Capital & Special Projects	Expanded Programme of Assistance	European Gaza Hospital	HQ Move to Gaza	Total Other Projects
	INCOME								
	Contributions:								
39,090,171	Governments	20,860,835	2,906,287	-	15,261	-	-	37,815	23,820,199
2,583,604	Inter-Governmental Organizations	2,738,182	408,925	-	-	-	-	-	3,147,107
132,714	U N Organizations	84,000	-	-	-	-	-	-	84,000
773,570	Non-Governmental Organizations	89,590	15,492	-	33,947	-	-	-	139,029
42,580,059	**Total Contributions**	23,772,608	3,330,704	-	49,208	-	-	37,815	27,190,335
-	**Other Income**	139,271	-	-	-	-	-	-	139,271
42,580,059	**TOTAL INCOME**	**23,911,878**	**3,330,704**	**-**	**49,208**	**-**	**-**	**37,815**	**27,329,605**
(53,789,471)	**EXPENDITURE**	**(16,942,784)**	**(16,172,579)**	**(1,710,779)**	**(1,133,397)**	**(289,877)**	**-**	**-**	**(36,249,416)**
(11,209,413)	**EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE**	**6,969,095**	**(12,841,876)**	**(1,710,779)**	**(1,084,188)**	**(289,877)**	**-**	**37,815**	**(8,919,810)**
(8,215,730)	Prior Years' Adjustments	-	(371,715)	(265)	(85,445)	(465,706)	11,319,987	31,474	10,428,329
(19,425,143)	**NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE**	**6,969,095**	**(13,213,591)**	**(1,711,044)**	**(1,169,633)**	**(755,583)**	**11,319,987**	**69,289**	**1,508,519**
31,496,618	Opening Fund Balances	-	23,373,192	2,025,645	1,627,525	1,526,362	(11,319,987)	(5,161,261)	12,071,475
12,071,475	**Closing Fund Balances**	**6,969,095**	**10,159,602**	**314,601**	**457,892**	**770,778**	**-**	**(5,091,973)**	**13,579,994**

STATEMENT 7

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

NON-REGULAR FUNDS - PROJECTS

ASSETS AND LIABILITIES STATEMENT

As at 31 December 2001
(in USD)

As at 31.12.1999	PARTICULARS	Post 1999 Projects	Peace Implementation Programme	Lebanon Appeal	Capital & Special Projects	Expanded Programme of Assistance	HQ Move to Gaza	TOTAL
	ASSETS							
12,092,976	Cash on Hand and in Banks *	6,524,617	9,818,803	314,846	456,874	764,801	(5,091,973)	12,797,968
241,910	Accounts Receivable net of provision for uncollectable amounts	475,387	352,074	-	168	5,977	-	833,606
-	Prepaid expenses and advances to suppliers	79,297	61,505	-	-	-	-	140,803
12,334,886	**TOTAL ASSETS**	**7,079,301**	**10,232,382**	**314,846**	**457,042**	**770,778**	**(5,091,973)**	**13,772,377**
	LIABILITIES:							
-	Accounts Payable	30,909	11,275	245	9,150	-	-	51,580
263,410	Provision for Goods-in-Transit & Outstanding PO's	79,297	61,505	-	-	-	-	140,803
263,410	**Accounts Payable and Accruals**	110,207	72,781	245	9,150	-	-	192,383
	RESERVES:							
12,071,475	Fund Balances	6,969,095	10,159,602	314,601	457,892	770,778	(5,091,973)	13,579,994
12,334,886	**TOTAL LIABILITIES AND RESERVES**	**7,079,301**	**10,232,382**	**314,846**	**457,042**	**770,778**	**(5,091,973)**	**13,772,377**

* The negative Cash Balance represents Dues to other funds

B. Appendices and annex to the financial statements

APPENDIX 1

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

REGULAR BUDGET EXPENDITURE
For The Biennium 2000-2001
(In USD)

Programme	Cash	In Kind	Total
EDUCATION SERVICES			
Education Planning & Management	10,270,192	574,170	10,844,362
General Education			
Elementary Education	175,811,362	2,969,772	178,781,133
Preparatory Education	108,303,928	808,176	109,112,104
Secondary Education	1,944,762		1,944,762
Other Activities	1,394	120	1,514
Vocational & Prof. Training			
Gaza Vocational Training Center	3,729,658	317,966	4,047,624
Siblin Training Center	3,823,781	17,719	3,841,500
Damascus Vocational Training Center	1,899,500	32,860	1,932,360
Wadi Seir Training Center	3,812,916	15,917	3,828,833
Amman Training Center	2,318,329	16,870	2,335,199
Kalandia Vocational Training Center	3,103,916	26,953	3,130,869
Ramallah Men Training Center	2,135,765	32,418	2,168,183
Ramallah Women Training Center	3,900,268	62,199	3,962,467
Pre-Service Teacher Education	1,867,894	792	1,868,687
Total, Education Services	**322,923,666**	**4,875,933**	**327,799,599**
HEALTH SERVICES			
Management of Health	4,885,964	373,340	5,259,304
Medical Care Services			
Laboratory Services	2,943,501	14,542	2,958,044
Out-Patient Services	34,778,257	740,409	35,518,667
Maternal & Child Health	4,463,021	22,075	4,485,096
Disease Prevention & Control	4,467,483	1,305,619	5,773,102
Physical Rehabilitation	1,138,592		1,138,592
Dental Care	3,244,082		3,244,082
School Health Services	848,877		848,877
General Hospitals	14,118,681	5,553	14,124,234
Qalqilia Hospital	1,730,102	90,275	1,820,377
Other Costs	752	225	977
Environmental Sanitation			
Sewage & Drainage	216,689		216,689
Solid Waste Management	16,183,588	337	16,183,925
Water Supply	1,033,336	69,074	1,102,411

APPENDIX 1

Programme	Cash	in Kind	Total
Supplementary Feeding	(13,659)	6,641,102	6,627,443
Special Environmental Health Programme, Gaza	889,717		889,717
Total, Health Services	**90,928,984**	**9,262,552**	**100,191,537**
RELIEF AND SOCIAL SERVICES			
Programme Management	2,537,176		2,537,176
Relief Services			
Special Hardship Assistance	20,821,690	23,781,495	44,603,185
Eligibility & Registration of Palestine Refugees	2,121,123	3,203	2,124,327
Quality Control	26,978	1,969	28,948
Ration Distribution Costs	1,681,786	145,468	1,827,254
Other Services	504	9,122	9,626
Social Services			
Community Development	536,612	6,952	543,564
Skill Training - Carpentary Centres	32,389		32,389
Youth Activities	275,003	1,467	276,470
Women-in-Development	1,074,298	94,663	1,168,961
Disability Programme	1,019,577	2,532	1,022,109
Poverty Alleviation	1,146,859	482	1,147,341
Rehab. Centre for the Visually Impaired, Gaza	634,891	88,502	723,393
General Protection & Emergency Services	1,074,184		1,074,184
Other Services	1,523	700	2,223
Total, Relief and Social Services	**32,984,594**	**24,136,555**	**57,121,149**
OPERATIONAL SERVICES			
Procurement and Logistics			
Purchase of Supplies for Inventory	1,555,010	4,733,796	6,288,806
Supply Warehousing	3,759,902	20,485	3,780,387
Maintenance of Generators & Pumps	66,701		66,701
Vehicle Maintenance	2,052,838	1,838	2,054,676
Passenger Transport	6,827,104	348	6,827,452
Freight Transport	3,944,246	36,151	3,980,397
Port Operations	(2,193,257)		(2,193,257)
Supply & Transport/Administration	4,881,021	33,665	4,914,686
Supply-Related ISD Activities	90,799		90,799
Engineering and Construction Services	5,697,072		5,697,072
Self Supporting Units	594		594
Total, Operational Services	**26,682,029**	**4,826,283**	**31,508,312**
Common Services			
General Management			
Field Office Administration	4,953,266		4,953,266
Area Administration	2,917,642	2,713	2,920,355
Camp Services Administration	1,459,428		1,459,428
Agency Administration	2,508,731		2,508,731

APPENDIX 1

Programme	Cash	in Kind	Total
Public Information	980,893	300	981,193
External Relations	1,832,366		1,832,366
Policy Analysis Unit	583,225		583,225
Internal and External Audit Services	1,713,711		1,713,711
Legal Services	1,938,534		1,938,534
Protective Services	4,016,622		4,016,622
Projects Unit	186,559		186,559
NY Liaison Office	612,161		612,161
CAIRO Office	44,856		44,856
UNRWA - Vienna Office	79,036		79,036
Administration			
Personnel Services Division	3,516,055		3,516,055
Administrative Services	6,710,524	3,135	6,713,659
Compensation & Management Services Division	189,119		189,119
Administration and Human Resources-Office of DAHR	602,746		602,746
Staff Development	80,740		80,740
Joint Appeals Board	9,808		9,808
Office of D/Operational & Technical Services-HQ(A)	288,740		288,740
Financial Services	6,488,871		6,488,871
Information Systems Division	3,534,217		3,534,217
New Information Systems Strategy	137,810		137,810
Payroll Management	278,403		278,403
Finance and Payroll project	805,703		805,703
SWAN Project	740,114		740,114
Other Services	157		157
Income Programme Support(*)	(5,340,398)		(5,340,398)
Total, Common Services	**41,869,856**	**6,148**	**41,875,804**
GRAND TOTAL	**515,388,929**	**43,107,471**	**558,496,400**

(*) Represent the share of common costs from projects funds and is computed at 5% of donation for supply projects and 12% for construction projects, as agreed with donors

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

[redacted]
For The Biennium 2000-2001
(in USD)

PROJECTS	INCOME			EXPENDITURE			SURPLUS (DEFICIT) FOR THE PERIOD	FUND BALANCE AS AT 01.01.2000	PRIOR YEARS' ADJUSTMENTS	FUND BALANCE AS AT 31.12.2001
	Cash	In-Kind	Total	Cash	In-Kind	Total				
Regular Budget Funds										
General Fund Contributions	519,295,453	26,319,421	545,614,873	497,395,084	32,469,470	529,864,553	15,750,321	16,601,419	(7,980,304)	24,371,435
Other Income	1,293,342		1,293,342				1,293,342			1,293,342
GF Subtotal	**520,588,795**	**26,319,421**	**546,908,217**	**497,395,084**	**32,469,470**	**529,864,553**	**17,043,663**	**16,601,419**	**(7,980,304)**	**25,664,778**
Funded On-Going Activities:										
Cash Distribution in Gaza, West Bank, Syria, Jordan and Lebanon	14,252,089		14,252,089	15,400,920		15,400,920	(1,148,831)	556,464	62,011	(530,356)
Improvement of Maternal Health Care, Lebanon	47,250		47,250	(9,618,075)	9,665,703	47,628	(378)	378	1	-
In-Kind Donations of Basic Commodities - EC	-	9,653,043	9,653,043	8,693,404	972,299	9,665,703	(12,660)	(16,521)	-	(29,182)
Health Activities - EC	-	1,065,701	1,065,701	972,299		972,299	93,402	(2,046,919)	(2,133)	(1,955,650)
Gaza Centre for the Blind	-		-	-		-	-	(1,285,080)	616	(1,284,463)
Running Costs, Beit Hanoun and Ma'an Health Centres-Gaza	30,757		30,757	206,919		206,919	(176,163)	176,163	(1)	-

PROJECTS	INCOME			EXPENDITURE			SURPLUS (DEFICIT) FOR THE PERIOD	FUND BALANCE AS AT 01.01.2000	PRIOR YEARS' ADJUSTMENTS	FUND BALANCE AS AT 31.12.2001
	Cash	In-Kind	Total	Cash	In-Kind	Total				
Ramallah Men's Training Centre and Women's Training Centre	(914)		(914)	(737)		(737)	(177)	(3,989,164)	12,354	(3,980,987)
Gaza Vocational Training Centre - Italy	1,832,957		1,832,957	1,832,957		1,832,957	-	-	-	-
FOA Sub Total	**10,182,158**	**10,718,743**	**20,900,900**	**17,497,050**	**10,636,092**	**28,133,089**	**(1,344,887)**	**(6,614,640)**	**72,848**	**(7,786,619)**
Procurement of Medical Supplies for Gaza and West Bank (ECHO)	**47,887**		**47,887**	**506,150**		**506,150**	**(458,491)**	**464,992**	**-**	**(53,499)**
TOTAL REGULAR BUDGET FUNDS	**536,799,802**	**37,056,160**	**573,876,795**	**515,389,829**	**43,107,471**	**558,496,469**	**15,340,366**	**10,391,611**	**(7,807,456)**	**17,924,521**
Non-Regular Budget Funds										
Emergency Appeal										
Medical Needs of Qalqilia Hospital - Pontifical Mission	5,000		5,000	5,000		5,000	-	-	-	-
UNRWA's Emergency Appeal for the West Bank - Luxembourg	105,000		105,000	86,669		86,669	18,331	-	-	18,331
UNRWA's Emergency Appeal for the West Bank - Ireland	100,000		100,000	92,227		92,227	7,773	-	-	7,773
Medical supplies and protective clothing - (RKK)	9,348		9,348	9,348		9,348	-	-	-	-
Support additional costs incurred at UNRWA's Qalqilia Hospital - Switzerland	10,000		10,000	10,000		10,000	-	-	-	-
UNRWA's October Emergency Appeal - New Zealand	40,550		40,550	40,550		40,550	-	-	-	-
UNRWA's Emergency Appeal - Denmark	90,703		90,703	90,565		90,565	138	-	-	138

APPENDIX 2

PROJECTS	INCOME			EXPENDITURE			SURPLUS (DEFICIT) FOR THE PERIOD	FUND BALANCE AS AT 01.01.2000	PRIOR YEARS' ADJUSTMENTS	FUND BALANCE AS AT 31.12.2001
	Cash	In-Kind	Total	Cash	In-Kind	Total				
Provision of Emergency Assistance to Palestinians injured in the Violence - Australia	130,375		130,375	114,320		114,320	16,055	-	-	16,055
UNRWA's Emergency Appeal for Gaza and West Bank - Canada	97,532		97,532	97,532		97,532	-	-	-	-
Medical Supplies, Equipment and Cash Assistance for affected refugee families in Gaza and West Bank - Sweden	99,404		99,404	99,209		99,209	194	-	-	194
UNRWA's Emergency Appeal - Finland	74,734		74,734	-		-	74,734	-	-	74,734
Purchasing Food for Families in the Middle Camps in Gaza (PECDAR & PWA) - Palestine	103,600		103,600	91,491		91,491	12,309	-	-	12,309
Emergency Appeal-Contingency Plan - Switzerland	18,848,901		18,848,901	14,491,422		14,491,422	4,357,479	-	-	4,357,479
UNRWA's February Emergency Appeal - USA	5,000,000		5,000,000	4,927,596		4,927,596	72,404	-	-	72,404
Emergency Appeal - Feb 2001	3,800,000		3,800,000	2,270,849		2,270,849	1,529,151	-	-	1,529,151
Provision of Medical Supplies for the benefit of UNRWA Medical Centres in the Palestinian Autonomous Territories	325,368		325,368	524		524	324,844	-	-	324,844
Emergency Appeal for Medical Assistance and Supplies - USA	300,000		300,000	300,000		300,000	-	-	-	-
Special Appeal for Emergency Medical requirements in the West Bank and Gaza Strip - ECHO	105,511		105,511	105,511		105,511	-	-	-	-
UNRWA's Emergency Appeal in Gaza and the West Bank - AGFUND	50,000		50,000	47,365		47,365	2,635	-	-	2,635
Medical Supplies to West Bank & 500 Food Baskets - Children International	21,151	10,000	31,151	19,829	10,000	29,829	1,322	-	-	1,322
UNRWA's Emergency Appeal - Various Donors	1,805		1,805	1,805		1,805	-	-	-	-
Emergency Food Aid for Gaza Strip and West Bank, Phase I	2,952,684		2,952,684	3,710,726		3,710,726	(757,042)	-	-	(757,042)
Cash for Qalqilia Hospital/Bullet Proof Jackets/100 Medical Emergency Kits and other medical supplies - France	39,284	16,695	55,979	39,257	16,695	55,952	27	-	-	27
Emergency Food Aid Distribution in Gaza Strip and West Bank	424,201		424,201	424,128		424,128	73	-	-	73
Relief and Medical Requirements in Gaza and West Bank	397,323		397,323	397,323		397,323	-	-	-	-

APPENDIX 2

PROJECTS	INCOME			EXPENDITURE			SURPLUS (DEFICIT) FOR THE PERIOD	FUND BALANCE AS AT 01.01.2000	PRIOR YEARS' ADJUSTMENTS	FUND BALANCE AS AT 31.12.2001
	Cash	In-Kind	Total	Cash	In-Kind	Total				
Emergency Appeal Oct. 2000	34,173		34,173	33,806		33,806	367	-	-	367
Assistance for X-Ray Diagnostic Service in Gaza	85,050		85,050	84,970		84,970	81	-	-	81
Support to Emergency Appeal on West Bank and Gaza	208,333		208,333	208,333		208,333	-	-	-	-
Emergency Food Distribution for Gaza and West Bank, Phase II	8,650,519		8,650,519	8,650,519		8,650,519	-	-	-	-
Emergency Appeal" to project "UNDP s Emergency Support to the Health Sector	46,172		46,172	46,172		46,172	-	-	-	-
Emergency Appeal November 2000" to project	562,253		562,253	433,446		433,446	128,808	-	-	128,808
UNRWA s Emergency Appeal toward the Medical Component	19,967		19,967	19,967		19,967	-	-	-	-
Emergency Appeal for Purchase Food Aid	6,008,547		6,008,547	2,005,094		2,005,094	4,003,453	-	-	4,003,453
UNRWa's Emergency Appeal, West Bank	0	17,047	17,047	0	17,047	17,047	-	-	-	-
Extra Voluntary Contribution to UNRWA's Emergency Appeals	1,387,082		1,387,082	154,588		154,588	1,232,494	-	-	1,232,494
Emergency Appeal	12,000,000		12,000,000	9,349,215		9,349,215	2,650,785	-	-	2,650,785
Cash Subsidies in Gaza	4,859		4,859	1,299		1,299	3,560	-	-	3,560
Third Emergency Contribution Unearmarked Various	16,830,031		16,830,031	2,582,602		2,582,602	14,247,429	-	-	14,247,429
Cash Contribution towards UNRWA s Second Emergency Appeal for Gaza Strip and West Bank	318,444		318,444	-		-	318,444	-	-	318,444
Employment Creation by the Refugee Camp Committees, West Bank	181,818		181,818	113,523		113,523	68,295	-	-	68,295
Support to Needy People in West Bank and Gaza	3,771		3,771	3,771		3,771	-	-	-	-
Emergency Contribution	653,587		653,587	652,286		652,286	1,282	-	-	1,282
Cost of Purchasing and Shipping of Some Saudi Manufactured Drugs and First Aid Supplies	-	250,000	250,000	-	250,000	250,000	-	-	-	-

APPENDIX J

PROJECTS	INCOME			EXPENDITURE			SURPLUS (DEFICIT) FOR THE PERIOD	FUND BALANCE AS AT 01.01.2000	PRIOR YEARS ADJUSTMENTS	FUND BALANCE AS AT 31.12.2001
	Cash	In-Kind	Total	Cash	In-Kind	Total				
Post-injury Physical Rehabilitation in West Bank and Gaza Strip	700,529		700,529	24,890		24,890	675,639			675,639
Providing Medicines	-	12,505	12,505	-	12,505	12,505	-	-	-	-
Third Emergency Appeal' to project 'Emergency Food Distribution	3,436,364		3,436,364	4,073,099		4,073,099	(436,735)		-	(436,735)
Cash Allowance for the Needy Palestine Refugee Families	2,000		2,000	2,000		2,000	-		-	-
Support of UNRWA s Emergency Program to Palestine Refugees in Gaza and West Bank	5,000,000		5,000,000	88,256		88,256	4,911,744		-	4,911,744
Reconstruction of Demolished Houses in Khan Younis	682,584		682,584	-		-	682,584		-	682,584
Humanitarian Assistance to Palestine Refugees in Gaza and West Bank	2,000,000		2,000,000	672,972		672,972	1,327,028		-	1,327,028
Emergency Food Aid for West Bank and Gaza	962,261		962,261				962,261		-	962,261
Support for UNRWA to the Second Emergency Appeal	669,836		669,836	(277)		(277)	670,113		-	670,113
Emergency Medical Supplies for West Bank and Gaza	455,261		455,261	-		-	455,261		-	455,261
In kind Contribution of MT 8 050 of Flour for UNRWA s Third Emergency Appeal	1,047,600		1,047,600	-		-	1,047,600		-	1,047,600
Humanitarian Assistance to Palestine Refugees in Gaza and West Bank	281,680		281,680	-		-	281,680		-	281,680
Self-help Shelter Rehabilitation in West Bank	356,199		356,199	-		-	356,199		-	356,199
Rehabilitation of Palestine Refugees Shelters in Gaza Strip	496,664		496,664	-		-	496,664		-	496,664
Excess Amount of Requirement Second Emergency App	4,460,148		4,460,148	746,764		746,764	3,713,384		-	3,713,384
Agency Programme of Trauma Counseling of Children Affected Psychologically by the Violence in the Occupied Palestinian Territories	50,000		50,000	-		-	50,000		-	50,000
Emergency Appeal Total	**102,865,431**	**805,247**	**101,271,688**	**57,450,423**	**805,247**	**57,758,673**	**43,092,996**	-	-	**43,092,996**

PROJECTS	INCOME			EXPENDITURE			SURPLUS (DEFICIT) FOR THE PERIOD	FUND BALANCE AS AT 01.01.2000	PRIOR YEARS' ADJUSTMENTS	FUND BALANCE AS AT 31.12.2000
	Cash	In-Kind	Total	Cash	In-Kind	Total				
Projects										
Post 1999 Projects										
Photo Exhibition for UNRWA's 50 Year Commemoration in Geneva - Switzerland	5,000		5,000	5,000		5,000	-	-	-	-
Junior Professional Officer Dr. S. Zeschk-Germany	81,524		81,524	81,524		81,524	-	-	-	-
Services provided by KPMG consultants towards Finance System Reform - UK	807,900	457,748	1,265,648	1,000,726	457,748	1,471,477	(105,829)	-	-	(105,829)
Technical Assistance provided by a team from the British Council in Education planning - UK	-	495,844	495,844	-	495,844	495,844	-	-	-	-
Training of UNRWA Procurement Staff in areas of Supply and Procurement - UK	138,384	482,857	621,125	114,040	482,857	597,417	23,667	-	-	23,667
Nursing Courses for Palestine Refugees in Lebanon - (RKK)	29,668		29,668	29,668		29,668	-	-	-	-
Humanitarian emergency assistance towards sustaining hospitalization services to Palestine refugees in Lebanon - (ECHO)	1,080,618		1,080,618	1,187,446		1,187,446	(106,827)	-	-	(106,827)
French fundraisefairs in Lebanon - France	88,770		88,770	88,052		88,052	718	-	-	718
2nd Year JPO Frank Schagen - Netherland	92,318		92,318	82,865		82,865	9,453	-	-	9,453
Equipment of Industrial Electronic Course at Ramallah Men Training Centre - AGFUND	40,000		40,000	28,889		28,889	11,101	-	-	11,101
Construction & Furnishing of Additional ch at 3 schools in Khalil camp - France	144,632		144,632	57,555		57,555	87,078	-	-	87,078
Construction of Sewerage & Drainage System at Ein El Hilweh, Phase II stage I, (E1) - Germany	245,011		245,011	248,679		248,679	(3,668)	-	-	(3,668)
Educational and Health Projects in Gaza, Jordan and West Bank	498,278		498,278	403,655		403,655	94,624	-	-	94,624
Repayment rel at Beirut Health Center - Saudi Fund for Development	1,063,731		1,063,731	4,306,407		4,306,407	(3,242,676)	-	-	(3,242,676)
Furnishing and Equipping of the Khamsa Health Centre in Damascus - UK	84,577		84,577	76,007		76,007	8,570	-	-	8,570
Improving Access to Hospital Care for Palestine Refugees in Lebanon - Canada	344,827		344,827	344,827		344,827	-	-	-	-

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PROJECTS	INCOME			EXPENDITURE			SURPLUS (DEFICIT) FOR THE PERIOD	FUND BALANCE AS AT 01.01.2000	PRIOR YEARS ADJUSTMENTS	FUND BALANCE AS AT 31.12.2001
	Cash	In-Kind	Total	Cash	In-Kind	Total				
Upgrading and Mechanization of the Solid Waste Collection and Remove from Jalazone, Beach and the Middle Camps - Luxembourg	1,250,000		1,250,000	668,746		668,746	601,254			601,254
Reconstruction of the learning centre and science laboratory / Hamad Safadi Schools at Dera'a Camp - Syria - Sweden	159,529		159,529	84,477		84,477	25,052			25,052
Construction and Equipping of Beit Jala and Ein Zeit Co-ed Schools in Dawia Camp- Arab Fund for Economic and Social Development	140,481		140,481	110,587		110,587	10,873			10,873
Equipping Three Basic Speech Therapy Units at Tulkarem and Dawia Camps, Nablus Area and Faraa'en Camp & Equipping and Furnishing the Hebron WIPC Kindergarten	20,470		20,470	20,470		20,470				-
Reconstruction of Dera CRC, Syria-NEOVMEDEO	38,638		38,638	73,868		73,868	(58,040)			(58,040)
Canada Camp Family Reunification Project in Rafah, Gaza - Canada	1,678,660		1,678,660	1,076,367		1,076,367	602,293			602,293
Scholarship Fund for Palestine Refugee Women in Lebanon - Canada	330,134		330,134	205,587		205,587	108,568			108,568
PS Safety Storage Lab at Central Public Health - Italy	132,387		132,387	4,740		4,740	127,647			127,647
Computer & Information Technology Initiative for Upgrading UNRWA Vocational Training Programme - Phase III	2,399,198		2,399,198	1,600,865		1,600,865	798,333			798,333
Hospitalization in Lebanon - Switzerland	150,000		150,000	150,000		150,000				-
UNRWA's Liaison Office, Geneva - Switzerland	368,703		368,703	300,972		300,972	67,731			67,731
Second Year of JPO Mr. Philippe Grandet, France	92,400		92,400	82,443		82,443	9,957			9,957
Construction and Equipping of a Prep Girls School in Nuseirat Camp in Gaza Strip - Japan	997,000		997,000	170,554		170,554	826,446			826,446
Procurement of an ambulance for UNRWA's health centre in Ein Beit Camp - Germany	38,750		38,750	38,750		38,750				-
Improving Access to Hospital Services provided to Palestine Refugees in Lebanon - Italy	1,000,000		1,000,000	974,487		974,487	25,513			25,513
Construction & Equip of 9 CR & 2 Specialized Rooms at Jenin Prep Girls School - Libya	12,367		12,367	1,344		1,344	11,023			11,023
Improvement of Dura Elementary A&B Co-educational School and Improvement of Dehaisha Hospital - Japan	140,627		140,627	85,638		85,638	54,990			54,990
Junior Professional Officer Ms. Marlene Arce	121,264		121,264	77,299		77,299	43,965			43,965

APPENDIX 2

PROJECTS	INCOME			EXPENDITURE			SURPLUS (DEFICIT) FOR THE PERIOD	FUND BALANCE AS AT 01.01.2000	PRIOR YEARS' ADJUSTMENTS	FUND BALANCE AS AT 31.12.2001
	Cash	In-Kind	Total	Cash	In-Kind	Total				
Project Nurse Professional Officer Ms. Elna Soerensgaard	102,828		102,828	78,855		78,855	23,973			23,973
Project Manager for the Family Files/Refugee Registration Information System	106,056		106,056				106,056			106,056
Construction, Equipping and Furnishing of Four Schools at Gaza and West Bank	1,227,236		1,227,236	358,100		358,100	868,137			868,137
Extension of Jabal Hussein Health Centre to Accommodate Family Planning Services, Jordan	45,031		45,031	45,031		45,031				
Awareness Cross Roots Projects in Jordan	205,823		205,823	199,680		199,680	6,143			6,143
Feasibility Study for Rehabilitation at Neirab Camp and Development of Ein El Tal Camp, Syria (Second Phase	127,772		127,772	65,548		65,548	62,224			62,224
Junior Professional Officer Ms. Nicole Rutter, projects officer, Lebanon	100,315		100,315	35,999		35,999	64,316			64,316
Hiring a Consultant for UNRWA's External Relations Office	43,906		43,906	36,030		36,030	7,876			7,876
Improving Access to Hospital Care for Palestine Refugees in Lebanon	303,853		303,853	300,294		300,294	3,559			3,559
Shelter Rehabilitation in Various Refugee Camps in Lebanon and Shelter Rehabilitation project in Syria and Shelter Rehabilitation in various Camps in Jordan	1,471,103		1,471,103	320,035		320,035	1,151,068			1,151,068
11 Special Projects - Agency wide	3,300,000		3,300,000				3,300,000			3,300,000
Junior Professional Officer, for the post of (Associate Expert, External Relation & Projects	94,638		94,638	24,388		24,388	70,550			70,550
Recruitment of One Legal Officer and Half of the cost for a Database Officer in the Legal Department, HQ (G)	84,000		84,000	13,615		13,615	70,385			70,385
Nursing Courses for Palestine Refugees in Lebanon	23,293		23,293				23,293			23,293
French Contribution, Gaza, Jordan, WB, Leb, France	1,357,516		1,357,516	9,095		9,095	1,348,421			1,348,421
Hospitalization Services in Lebanon				150,000		150,000	(150,000)			(150,000)
Construction of Physiotherapy Unit for Khan Younis Health Centre				4,878		4,878	(4,878)			(4,878)
Construction of Physiotherapy Unit for Rafah Health Centre				4,878		4,878	(4,878)			(4,878)

APPENDIX 2

PROJECTS	INCOME			EXPENDITURE			SURPLUS (DEFICIT) FOR THE PERIOD	FUND BALANCE AS AT 01.01.2000	PRIOR YEARS' ADJUSTMENTS	FUND BALANCE AS AT 31.12.2001
	Cash	In-Kind	Total	Cash	In-Kind	Total				
Improvement of Home Economics Unit at Rafah Preparatory A girls' School	-	-	-	11,375	-	11,375	(11,375)	-	-	(11,375)
Development of Library at Rimal Preparatory A Girls' and Gaza Elementary "C" Co-educational School	-	-	-	3,476	-	3,476	(3,476)	-	-	(3,476)
Post 1999 Projects Total	**22,465,426**	**1,446,450**	**23,911,876**	**15,496,334**	**1,446,450**	**16,942,784**	**6,968,095**	**-**	**-**	**6,968,095**
Peace Implementation Programme										
Gaza Waste Water Project - USAID	-	-	-	-	-	-	-	5,304,000	(5,304,000)	-
GAZA Waste Water Project: Other Costs -UNRWA Activities (USAID)	-	-	-	-	-	-	-	(432,758)	432,758	-
Procurement of Maintenance Equipment (USAID)	-	-	-	-	-	-	-	(3,079,577)	3,079,577	-
Sewer and Storm Drainage Cleaning and Rehabilitation(USAID)	-	-	-	-	-	-	-	(1,696,245)	1,696,245	-
Repatriation of Canada Camp Refugees	-	-	-	4,748	-	4,748	(4,748)	4,779	(31)	-
Equipment, Materials and literacy courses Women Programme Centre (WPC) Gaza	-	-	-	-	-	-	-	213	10	223
Lebanon Polyclinic - French Donation	-	-	-	309	-	309	(309)	309	-	-
Radiological and Ultrasound Equipment at Khan Younis Health Centre	-	-	-	75,111	-	75,111	(75,111)	100,898	-	25,787
Health Education Program Prevention of HIV/AIDS	-	-	-	2,127	-	2,127	(2,127)	6,992	-	4,864
Construction and Equipping of Balata Elementary / Preparatory School in West Bank	-	-	-	48,494	-	48,494	(48,494)	57,650	-	9,157
Post of Unified Registration System (URS) Coordinator	-	-	-	50,916	-	50,916	(50,916)	51,928	(1,012)	-
Construction of Educational Facilities in Jordan	-	-	-	190,883	-	190,883	(190,883)	193,333	-	2,451
Expansion of Qalqilia Hospital: West Bank	-	-	-	674,985	-	674,985	(674,985)	1,786,474	-	1,111,489
Various Projects for 1997	-	-	-	671,395	-	671,395	(671,395)	970,851	10,628	310,084

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PROJECTS	INCOME			EXPENDITURE			SURPLUS (DEFICIT) FOR THE PERIOD	FUND BALANCE AS AT 01.01.2000	PRIOR YEARS' ADJUSTMENTS	FUND BALANCE AS AT 31.12.2001
	Cash	In-Kind	Total	Cash	In-Kind	Total				
Shelter Rehabilitation project within camps in West Bank, Gaza and Jordan	-		-	492		492	(492)	4.110	(3.618)	-
Purchase of Textbooks for Schools and Libraries, West Bank and Gaza	-		-	3,153		3.153	(3.153)	5.224	-	2,071
Construction and Furnishing of Schools, Gaza and Lebanon	-		-	452.619		452.619	(452.619)	838.515	(46.077)	337,818
Clinical Laboratory Equipment for Shatila and Burj El Barajnen camps, Lebanon	-		-	16.760		16.760	(16.760)	16.760	-	-
Shelter Rehabilitation for hardship cases in Baddawi camp Lebanon	-		-	9.520		9.520	(9.520)	9.615	(95)	-
Humanitarian Assistance in Jordan for community based rehabilitation and integration of Palestinian Refugees with disabilities, Jordan	-		-	4.504		4.504	(4.504)	4.504	-	-
Construction and furnishing of Aqrabaneh School Second Phase, West Bank				-		-	-	21.555	1.066	22.621
Improvement of Computer Skills for Palestinian Refugees at Vocational Training Centers, All Fields				1.105.283		1.105.283	(1.105.283)	1.485.069	(103)	379,703
Provision of Carpentry Equipment for Damascus Training Centre, Syria				139.142		139.142	(139.142)	170.000	-	30.858
School construction and expansion programme, Gaza and West Bank	576.625		576.625	1.853.649		1.853.649	(1.277.025)	1.852.751	1.867	577,593
Epidemiological, reproductive health counseling and management training	-			250.409		250.409	(250.4[illegible]	319.281	393	69,266
Reconstruction of Homes, Community Rehabilitation centre, Syria	-		-	81.748		81.748	(81.748)	40.902	-	(40,846)
Remedial Education Programme Elementary Schools, Jordan	63.656		63.656	105.257		105.257	(41.599)	41.645	(46)	-
Expansion of Mashierfeh and South Baqa'a Health Center, Jordan and equipment for the industrial electronic training course in Ramallah men's training centre, West Bank	7.500		7.500	42.494		42.494	(34.994)	35.000		6
Construction and Equipping of Jabalia "B" Boys School, Gaza	81.234		81.234	838.351		838.351	(757.117)	1.000.000		242,883
Hospitalization in Lebanon and Construction of Khan Dannoun Health Center, Syria			-	191.838		191.838	(191.838)	203.318	-	11,482
Establishing and Developing Libraries at Yarmouk, Hama and Lattakia Women's Programme Centers	-		-	-		-	-	6	(6)	-
Khan Dannoun Sewerage Conveyor Line, Syria	29.029		29.029	476.995		476.995	(447.995)	369.590	-	(78,405)

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PROJECTS	INCOME			EXPENDITURE			SURPLUS (DEFICIT) FOR THE PERIOD	FUND BALANCE AS AT 01.01.2000	PRIOR YEARS' ADJUSTMENTS	FUND BALANCE AS AT 31.12.2001
	Cash	In-Kind	Total	Cash	In-Kind	Total				
Upgrading and Development of the Industrial Electronics Course, at Gaza Training Center	7,059		7,059	95,015		95,015	(87,956)	133,532	-	45,576
Educational Equipment, Special Textbooks and Teaching Aids for Blind and Deaf pupils in Jordan	-		-	11,304		11,304	(11,304)	17,170	-	5,867
Procurement of Equipment for the Gaza Training Center				99,395		99,395	(99,395)	99,975	-	580
"Construction of Women's Programme Center at Jalazone Camp, Jerusalem Area" and "Equipping and Furnishing the Toy Library at Kafar-Ibs Community rehabilitation Center"				12,520		12,520	(12,520)	12,520	-	-
"Al Shauka Elementary Co-education School, Gaza", "Abu Dees Co-education School, Jerusalem" and "Replacement of the Nur-Shams Girls School, West Bank"	785,059		785,059	2,717,594		2,717,594	(1,932,534)	1,895,449	-	(37,085)
Promoting Tolerance Education: Conflict resolution and basic human rights in UNRWA schools, Gaza and West Bank	-		-	388,726		388,726	(388,726)	840,126	-	451,400
Various Projects, Syria				322,856		322,856	(322,856)	453,943	(80,400)	50,687
Feasibility Studies for improving water supply in Syria	-		-	163,689		163,689	(163,689)	175,461	(11,772)	-
Furniture and Equipment for Women's Programme Centre, Jordan				3,930		3,930	(3,930)	3,904	61	36
Establishment of a youth activities centre and a CRC at Nahr El Bared and upgrading of equipment at the mechanical section of the Siblin Training Centre, Lebanon	-		-	54,920		54,920	(54,920)	178,715	-	123,795
Construction of Al-Mazzah School and 12 classrooms in Hussenieh	-		-	-		-	-	64	(64)	-
Support to Small Scale Enterprises, West Bank	-		-	-		-	-	1,077	(1,077)	-
School Construction and Shelter Rehabilitation in Gaza and West Bank	-		-	-		-	-	5,875	647	6,522
Shelter Rehabilitation, Gaza				49,233		49,233	(49,233)	50,169		936
Construction and equipping of Classrooms at Rafah Preparatory Girls School	-		-	-		-	-	268	(268)	-
Hiring of Teachers, West Bank	-		-	408		408	(408)	540	-	134
Construction and furnishing of Preparatory and secondary schools, Lebanon	-		-	39,239		39,239	(39,239)	39,247	131	139
Various PIP Projects, All Fields - 1999	-		-	648,377		648,377	(648,377)	1,694,148	(2,200)	1,043,571

PROJECTS	INCOME			EXPENDITURE			SURPLUS (DEFICIT) FOR THE PERIOD	FUND BALANCE AS AT 01.01.2000	PRIOR YEARS' ADJUSTMENTS	FUND BALANCE AS AT 31.12.2001
	Cash	In-Kind	Total	Cash	In-Kind	Total				
Construction and Equipment of 6 Classrooms and 2 Specialized Rooms, Beit Ula Girls School, West Bank	-		-	8,489		8,489	(8,489)	15,664	-	7,175
Hiring Additional Teachers in the West Bank and Gaza	-		-	-		-	-	766	-	766
Construction of New Facilities at Jaber Alleet School Lattakia, Syria	-		-	381,202		381,202	(381,202)	389,637	-	8,435
Replacement and Upgrading of Equipment and Extension of Workshop at Siblin Training Centre, Lebanon	-		-	44,901		44,901	(44,901)	74,302	-	29,401
Provision of School Desks to Cater for Expanding Population, Lebanon	-		-	138		138	(138)	138	-	-
Integration of Visually Impaired Children running cost, Lebanon	8,433		8,433	13,596		13,596	(5,163)	5,201	-	38
Care for Destitute Aged running cost - Lebanon	-		-	14,650		14,650	(14,650)	14,705	(54)	-
Upgrading of Nairobi Camp Library, Syria (Dr Sirk)	-		-	12,465		12,465	(12,465)	15,470	-	3,004
Comprehensive Maintenance of 15 schools & Reconstruction and Comprehensive Maintenance of maternal-child health clinic & Upgrading of equipment, Gaza	-		-	89,768		89,768	(89,768)	89,090	-	(678)
Maintenance and Renovation Activities for UNRWA premises, Gaza	-		-	-		-	-	1,027	(1,027)	-
Various Health and Education Projects, Gaza and West Bank	-		-	70,140		70,140	(70,140)	73,823		3,683
Provision of refuse Collection Compactor Trucks & Feasibility Study for Sewerage, Drainage improvement, West Bank/Shelter Rehabilitation, Upgrading of Garbage Depository Sites & Replacement of Garbage Containers, Gaza, Self-help Shelter Re-roofing	-		-	-		-	-	1,273,464	-	1,273,464
Establishment of a Community Centre at Shu'fat, West Bank	-		-	21,354		21,354	(21,354)	28,125	18	6,789
Shelter Rehabilitation, Lebanon/ Feasibility Study for Sewerage & Drainage, Jericho Construction of 5 classrooms at Jaber Alleet School & Construction of 15 classrooms at	-		-	-		-	-	271,282		271,282
Comprehensive Maintenance of Schools, Gaza/Construction & Equipping of a School, West Bank	-		-	6,703		6,703	(6,703)	10,447	-	3,744
Aerial Mapping of the Middle Camps, Gaza	51,051		51,051	52,094		52,094	(1,043)	34,721	(49)	33,629
Medical Aid for Palestinians (MAP) UK - Gaza	-		-	-		-	-	2,526	(2,526)	-

APPENDIX 2

PROJECTS	INCOME			EXPENDITURE			SURPLUS (DEFICIT) FOR THE PERIOD	FUND BALANCE AS AT 01.01.2000	PRIOR YEARS' ADJUSTMENTS	FUND BALANCE AS AT 31.12.2001
	Cash	In-Kind	Total	Cash	In-Kind	Total				
Sbeineh Health Centre, Upgrading Yarmouk Health Centre & Expansion of Yarmouk Mother & Child Centre, Syria/Construction Of Sukhneh School, Jordan Shelter	-		-	-		-	-	3,571	(99)	3,472
Upgrading of Equipment at Rafah Health Centre								17	(17)	-
Provision of Medical Supplies for Ministry of Health, Gaza & West Bank				55,676		55,676	(55,676)	73,804	(2)	18,126
Various Projects in Gaza and West Bank	477,953		477,953	246,336		246,336	231,617	(296,220)	257	(64,346)
Various Projects for Refugees, Jordan				2,030		2,030	(2,030)	2,439		409
Upgrading of 3 schools in Yarmouk Camp, Syria (USA)								54	(54)	-
Upgrading the Slow Learners Centres in Jordan				506		506	(506)	571		65
Beach Camp Coastal Defense, Gaza				10,102		10,102	(10,102)	1,553,827		1,543,725
Construction and Equipping of Women's Programme Centre, Rafah								1,888	4	1,892
Health, Education & Relief Project	798,792		798,792	176,551		176,551	622,241	(677,474)		(55,233)
Establishment of a Mother & Child Health Centre at Zarqa, Jordan								560	(560)	-
Various Projects, Agency Wide				39,423		39,423	(39,423)	38,601	822	-
Asphalting of roads & pathways - Kalandia Training Centre (West Bank - (Italy)				33,601		33,601	(33,601)	34,441		840
Public Health Laboratory West Bank & Polyclinic Lebanon				1,191,202		1,191,202	(1,191,202)	1,310,352	1,330	120,480
Construction & Equipping of WOMEN'S PROGRAMME CENTRE at Qabr Essit Syria				16,429		16,429	(16,429)	16,432	(4)	-
Construction & Equipping of 4 Schools in Gaza	41,688		41,688	317,276		317,276	(275,588)	285,461		9,873
Various School Construction Projects in West Bank and Gaza	372,395		372,395	43		43	372,353	1,069,949		1,442,302
Construction & Equipping of many centres in Lebanon and Jordan	-		-	-		-	-	13,463	673	14,136

PROJECTS	INCOME			EXPENDITURE			SURPLUS (DEFICIT) FOR THE PERIOD	FUND BALANCE AS AT 01.01.2000	PRIOR YEARS' ADJUSTMENTS	FUND BALANCE AS AT 31.12.2001
	Cash	In-Kind	Total	Cash	In-Kind	Total				
Various Projects in Jordan	-		-	-		-	-	10,734	517	11,252
Deutsche Stift fuer UNO Flucht WOMEN'S PROGRAMME CENTRE - Jordan	-		-	-		-	-	580	-	580
Services Rendered to the Palestinian Authorities	-		-	-		-	-	13,187	-	13,187
Construction & Equipping of 22 Classrooms, Gaza	-		-	14,308		14,308	(14,308)	16,771	165	2,628
Shelter Rehabilitation, Gaza	-		-	-		-	-	8,916	(8,916)	-
Classrooms & Laboratory at Yazur school, West Bank (Germany)	-		-	-		-	-	50,572	-	50,572
Small & Micro Enterprise Training, Gaza	-		-	-		-	-	4,073	(4,073)	-
Construction of 16 Classrooms at schools in West Bank	-		-	-		-	-	56,482	(56,482)	-
Repatriation of refugees from Canada Camp	3,407		3,407	820,576		820,576	(817,169)	821,313	(737)	3,407
Upgrading of Schools in West Bank	-		-	21,710		21,710	(21,710)	20,546	2,237	1,075
Various Projects, Agency Wide (1994 Contribution)	-		-	76,733		76,733	(76,733)	117,232	(14,868)	25,631
Construction of Public Health Laboratory, West Bank & Polyclinic Lebanon	-		-	221,370		221,370	(221,370)	263,158	(61,788)	-
Various PIP projects in Lebanon, Syria & Jordan	-		-	8,677		8,677	(8,677)	24,020	-	15,343
Construction & furnishing of Schools in Beddawi Camp, Lebanon	-		-	-		-	-	19	(19)	-
Shelter Rehabilitation in Gaza, (Sweden)	26,821		26,821	126,064		126,064	(99,243)	138,094	-	38,851
Graduate Training Programme	-		-	-		-	-	3,510	-	3,510
Construction of sewerage & drainage system in Beach Camp	-		-	-		-	-	1,234	(1,234)	-
Construction of Community Rehabilitation Centre & Kindergarten, Syria	-		-	3,667		3,667	(3,667)	4,879	-	1,212

APPENDIX 2

PROJECTS	INCOME			EXPENDITURE			SURPLUS (DEFICIT) FOR THE PERIOD	FUND BALANCE AS AT 01.01.2000	PRIOR YEARS' ADJUSTMENTS	FUND BALANCE AS AT 31.12.2001
	Cash	In-Kind	Total	Cash	In-Kind	Total				
Expansion of Family Health Programme Gaza	-		-	33,517		33,517	(33,517)	42,019	42	8,544
Renovation works at Siblin Training Centre Lebanon	-		-	31,562		31,562	(31,562)	35,007	-	3,445
Various Projects in Jordan and Syria	-		-	1,693		1,693	(1,693)	3,385	-	1,692
Various PIP projects for Gaza, Jordan and Syria	-		-	69,990		69,990	(69,990)	282,537	(67)	212,480
Various Projects in Jordan and upgrading of SIBLIN TRAINING CENTRE Lebanon	-		-	20,246		20,246	(20,246)	34,604	-	14,358
Sewerage Projects in 8 Camps, Lebanon	-		-	105		105	(105)	334,208	-	334,103
Sewerage & drainage Works at Deir El Balah Gaza	-		-	19,321		19,321	(19,321)	19,321	-	-
Peace Implementation Programme Total	**3,330,704**		**3,330,704**	**16,172,579**	**-**	**16,172,579**	**(12,841,875)**	**23,375,192**	**(371,715)**	**10,159,602**
Lebanon Appeal:										
Shelter Rehabilitation in Beddawi Camp	-		-	235,013		235,013	(235,013)	242,323	-	7,310
Reconstruction equipping and Furnishing of Sammou School	-		-	52,352		52,352	(52,352)	52,415	(63)	-
Mechanization of Solid Waste Collection and Disposal System	-		-	71,688		71,688	(71,688)	88,343	-	16,655
Construction and Furnishing of Rashidiah Secondary School in Rashidieh Camp Short term courses at Siblin Training Centre	-		-	552,268		552,268	(552,268)	934,688	-	382,420
Upgrading Equipment for Electric/Electronic Courses at Siblin Training Centre	-		-	139,961		139,961	(139,961)	184,327	-	44,366
Hospitalization Services	-		-	-		-	-	11	(11)	-
Support to Secondary Education	-		-	39,958		39,958	(39,958)	39,959	(1)	-
Construction, Equipping and Provision of Medical Supplies for Rashidia Health Centre	-		-	74,038		74,038	(74,038)	78,339	-	4,301
Provision of Medical Supplies for Lebanon Field	-		-	97,316		97,316	(97,316)	97,506	(190)	-
Shelter Rehabilitation in all camps	-		-	448,185		448,185	(448,185)	307,734	-	(140,451)

PROJECTS	INCOME			EXPENDITURE			SURPLUS (DEFICIT) FOR THE PERIOD	FUND BALANCE AS AT 01.01.2000	PRIOR YEARS' ADJUSTMENTS	FUND BALANCE AS AT 31.12.2001
	Cash	In-Kind	Total	Cash	In-Kind	Total				
Lebanon Appeal Total	-		-	1,710,779	-	1,710,779	(1,710,779)	2,025,645	(595)	314,601
Capital and Special Projects:										
Income Generating Projects - Jordan	-		-	-		-	-	59	(59)	-
Construction of School Rooms and Sanitation Facilities, Gaza	-		-	-		-	-	1,181	(1,181)	-
Production of Mrs. Abu Rishen's Book	-		-	7,729		7,729	(7,729)	9,632	-	1,904
Environmental Sanitation Project	-		-	-		-	-	151,648	28,202	179,849
Construction & Other Projects - Agency-wide Japan	-		-	83,469		83,469	(83,469)	94,956	(11,487)	-
Remedial and Special Education	-		-	300		300	(300)	303	(3)	-
Renovation of Rafah Mother and Child Health Sub-Centres	-		-	-		-	-	57	(57)	-
Library - Maghazi WOMEN'S PROGRAMME CENTRE Gaza	-		-	476		476	(476)	429	49	-
Various Projects Agency Wide (Japan)	-		-	26,806		26,806	(26,806)	29,676	(1,439)	1,431
Upgrading of health Centres in West Bank (Germany)	-		-	-		-	-	46,533	(46,533)	-
Upgrading two schools in Syria (Germany)	-		-	-		-	-	5,533	(5,533)	-
Scholarship, Equipping of Damascus Training Centre and Wash Ster Training Centre and Expansion of Qalqilia Hospital West Bank	-		-	20,725		20,725	(20,725)	76,810	(18,826)	37,259
Hama Camp Community Rehabilitation Programme	-		-	296		296	(296)	1,157	-	[illegible]
Community Rehabilitation Programme-Lebanon-Norway	-		-	-		-	-	152	(152)	-
French Kindergartens in Lebanon	-		-	1,536		1,536	(1,536)	3,712	-	2,175
Eye Disease Clinic - Gaza	-		-	2,395		2,395	(2,395)	2,512	(116)	-

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PROJECTS	INCOME			EXPENDITURE			SURPLUS (DEFICIT) FOR THE PERIOD	FUND BALANCE AS AT 01.01.2000	PRIOR YEARS' ADJUSTMENTS	FUND BALANCE AS AT 31.12.2001
	Cash	In-Kind	Total	Cash	In-Kind	Total				
Training of Music Teachers in West Bank	-		-	-		-	-	192	(192)	-
University Scholarships	-		-	73,153		73,153	(73,153)	216,009	-	142,856
Women's Programme Centre, Deir'a, Syria	-		-	-		-	-	50,242	(50,242)	-
Various Urgent Projects	-		-	-		-	-	26,669	-	26,669
Various Constructions - Jordan (USA)	-		-	-		-	-	3,049	(3,049)	-
University Scholarship Programme - 1995	-		-	112,146		112,146	(112,146)	112,116	30	-
Provision of Contraceptive Supplies	-		-	483		483	(483)	2,777		2,294
University Scholarship - 1996	-		-	219,378		219,378	(219,378)	222,278	-	2,900
Scholarship Programme 1997	-		-	119,183		359,183	(359,183)	364,748	-	5,565
Introduction to SS & ST Nursing Courses 97/98 Lebanon	-		-	798		798	(798)	798	-	-
Scholarship Programme	-		-	4,272		4,272	(4,272)	4,272	-	-
Nursing Courses for Palestine Refugees in Lebanon	-		-	25,192		25,192	(25,192)	25,210	(18)	-
Seconded Danish Experts	(0)	33,947	33,947	(0)	33,947	33,947	-	-	-	-
Junior Professional Officer: Relief and Social Services, Jordan (Italy)	-		-	-		-	-	5,575	-	5,575
Junior Professional Officer Projects, Lebanon (Germany)	-		-	63,564		63,564	(63,564)	65,660	(2,096)	-
Associate Officer Field Administration, Gaza	885		885	21,540		21,540	(20,675)	27,647	(6,772)	-
Junior Professional Officer, Mr. Philipe Grandet HQ(G)	-		-	47,856		47,856	(47,856)	52,587	-	4,731
Junior Professional Officer - UNDP - (Supply Div.)	-		-	-		-	-	326	(326)	-

PROJECTS	INCOME			EXPENDITURE			SURPLUS (DEFICIT) FOR THE PERIOD	FUND BALANCE AS AT 01.01.2000	PRIOR YEARS' ADJUSTMENTS	FUND BALANCE AS AT 31.12.2001
	Cash	In-Kind	Total	Cash	In-Kind	Total				
Junior Professional Officer, Sweden	-		-	-		-	-	18,308	-	18,308
Junior Professional Officers - Netherlands	-		-	-		-	-	1,346	-	1,346
Junior Professional Officer, Denmark	14,586		14,586	-		-	14,586	(14,586)	-	-
Junior Professional Officer, Sweden	-		-	-		-	-	7,669	-	7,669
Junior Professional Officer, France	-		-	-		-	-	16,860	-	16,860
Junior Professional Officer, Germany	-		-	8,142		8,142	(8,142)	(29,335)	36,907	(570)
Representation Costs in Multilateral Working Group for Refugees	-		-	-		-	-	2,538	(2,538)	-
Capital and Special Projects Total	**15,291**	**33,947**	**49,238**	**1,099,450**	**33,947**	**1,133,397**	**(1,084,159)**	**1,637,525**	**(86,445)**	**457,862**
Expanded Programme of Assistance										
Establishment of Khan Younis WOMEN'S PROGRAMME CENTRE, Gaza	-		-	-		-	-	11	(11)	-
Establishment of Khan Younis WOMEN'S PROGRAMME CENTRE, Gaza	-		-	1,139		1,139	(1,139)	2,395	1,796	3,052
Construction and Equipping of Ten Classrooms - NECC	-		-	-		-	-	769	(769)	-
AIDS (IEC) Training Courses	-		-	292		292	(292)	2,596	100	2,404
Infrastructure and Environmental Health Projects, Beach Camp Initiative	-		-	-		-	-	(13,724)	13,724	-
Construction Girls School- Beit Ula West Bank	-		-	-		-	-	297	(297)	-
Income Generation, Revolving Loans	-		-	-		-	-	114,128	-	114,128
Equipment and Furniture Fawwar WOMEN'S PROGRAMME CENTRE	-		-	41		41	(41)	671	-	630
EX - Baptist School of Nursing	-		-	-		-	-	39,687	-	39,687

APPENDIX 3

PROJECTS	INCOME			EXPENDITURE			SURPLUS (DEFICIT) FOR THE PERIOD	FUND BALANCE AS AT 01.01.2000	PRIOR YEARS' ADJUSTMENTS	FUND BALANCE AS AT 31.12.2001
	Cash	In-Kind	Total	Cash	In-Kind	Total				
WOMENS Prevention & Control								1,833	(1,833)	-
Self Housing Assoc - Gaza & West Bank (Denmark)								27,724	(27,724)	-
Rural Medical and Training Projects								18,000	-	18,000
Income Generating Projects								5,046	-	5,046
Training of Widows in West Bank (Ayhesh)								540	(540)	-
Various EFH Projects - USA								15,193	-	15,193
WOMENS PROGRAMME CENTRE (health education literacy and numeracy - West Bank								17,000	-	17,000
Maternal Health Programme in Gaza and West Bank								62,537	-	62,537
Renovation of Health Centre - Jerusalem (USA)								2,500	-	2,500
Renovation of Kalandia Training Centre				253,318		253,318	(253,318)	276,547	-	31,281
Operational Health Care Beach, Kids, Gaza Reconstruction and Rapid Space in Handicap Cases Shelters								114,873	(114,873)	-
Libya Funded Projects - Health & Education (WHO)								7,634	(7,634)	-
Shelters Rehabilitation - Beach Camp Initiative								273,291	(273,291)	-
Staff Costs, Occupied Territories				53,000		53,000	(53,000)	186,390	1,534	187,924
School Tabal Construction Gaza								280,013	301	280,313
Libya Projects West Bank & Gaza								5,917	(5,917)	-
Al Ahli Hospital- Gaza (Denmark)								5,500	-	5,500

PROJECTS	INCOME			EXPENDITURE			SURPLUS (DEFICIT) FOR THE PERIOD	FUND BALANCE AS AT 01.01.2000	PRIOR YEARS ADJUSTMENTS	FUND BALANCE AS AT 31.12.2001
	Cash	In-Kind	Total	Cash	In-Kind	Total				
Kaaka Ramen Contribution								350	(350)	-
CT Scanner - Al Ahli Hospital- Gaza and x-ray Machine in Khaleeli Hospital- West Bank								279	(279)	-
HIV/AIDS - WHO								270	(270)	-
Women's Programme Centre - Deniz - Cash								573	-	573
Orthopedic Surgeon - WHO								10,243	-	10,243
Women's Programme Centre - Fawwar Camp								635	635	-
Commencement of Women's Programme - Centre Ameri								49,063	(49,063)	-
In Service Training Health Professionals (HCMA-WHO)								672	(672)	-
Generator for Fawwar Camp- West Bank				1,063		1,063	(1,063)	5,949	-	4,886
Expanded Programme of Assistance Total	-	-	-	**886,877**	-	**886,877**	**(886,877)**	**1,696,883**	**(946,764)**	**710,779**
European Gaza Hospital										
European Gaza Hospital- General								(9,521,436)	9,521,436	-
Gaza Hospital - EC (Construction & related costs)								(58,233)	58,233	-
Gaza Hospital - In-kind Contribution (Denmark)								60,000	(60,000)	-
European Gaza Hospital- Operating Costs								130,000	(130,000)	-
X-ray Equipment for Gaza Hospital								48,472	(48,472)	-

ANNEX 3

ANNEX 3.2

PROJECTS	INCOME			EXPENDITURE			SURPLUS (DEFICIT) FOR THE PERIOD	FUND BALANCE AS AT 01 01 2000	PRIOR YEARS ADJUSTMENTS	FUND BALANCE AS AT 31 12 2001
	Cash	In-Kind	Total	Cash	In-Kind	Total				
European Gaza Hospital: Additional Construction and Equipment	-		-	-		-	-	(1,351,412)	1,351,412	-
Gaza Hospital Equipping of Sterile Supply Department	-		-	-		-	-	(20,748)	(20,748)	-
Co-Funding of Construction of Sewerage plant (EIH)	-		-	-		-	-	(178,548)	178,548	-
Construction of storage facilities at GH (Belgium)	-		-	-		-	-	(197,288)	197,288	-
Internal Construction of Bulk Storage Warehouse EGH	-		-	-		-	-	62,561	(62,561)	-
European Gaza Hospital Total	-		-	-	-	-	-	(11,310,897)	11,310,897	-
Headquarters Move to Gaza	97,810		97,810	-		-	97,810	(5,191,201)	91,474	(5,001,973)
Total Projects	31,540,350	1,486,987	97,359,809	84,799,819	1,486,987	86,248,814	(6,815,811)	12,071,475	10,428,329	15,079,994
TOTAL NON-REGULAR BUDGET FUNDS	126,814,639	1,788,644	128,401,274	91,201,444	1,788,644	92,990,088	34,810,186	12,071,475	10,428,329	57,113,990
Microfinance and Microenterprise Programme										
Agency Microfinance Programme, Gaza - AOFUND	110,000		110,000	39,478		39,478	110,522		-	110,522
Revolving Fund Account - (Loan account)	3,703,736		3,703,736	6,882,283		6,882,283	(3,178,547)	1,854,454	74,163	(1,250,930)
Infrastructure and Socio-Economic Improvements - Germany	-		-	-		-	-	30,623	(30,623)	-
Training Small and Micro Enterprises, Gaza Strip, Palestine	40,000		40,000	77,433		77,433	(37,433)	-	-	(37,433)

PROJECTS	INCOME			EXPENDITURE			SURPLUS (DEFICIT) FOR THE PERIOD	FUND BALANCE AS AT 01.01.2000	PRIOR YEARS' ADJUSTMENTS	FUND BALANCE AS AT 31.12.2001
	Cash	In-Kind	Total	Cash	In-Kind	Total				
*Using Fund Balance and Accrued Interest under Prefix (MR) to issue more loans in West Bank	16,451		16,451	-		-	16,451	-	30,826	47,277
Microfinance and Microenterprise Programme Total	3,910,197	-	3,910,197	7,080,184	-	7,080,184	(3,089,987)	1,885,277	74,168	(1,130,542)
Income Generation Programme										
Poverty Alleviation Accumulated Fund	5,029		5,029	-		-	5,029	21,239	-	26,268
Revolving Fund Account - (Loan account)	222,138		222,138	136,945		136,945	85,194	56,829	(11,594)	130,429
Micro Enterprise and Solidarity Group Lending (A) - Norway	-		-	-		-	-	92	(92)	-
Loans to Small and Medium scale Enterprises - Germany	-		-	-		-	-	8,135	(8,135)	-
Group Guaranteed Lending Schemes in Damascus, Aleppo & Latakia - United States of America	-		-	80,400		80,400	(80,400)	-	80,400	-
Income Generation Programme Total	227,168	-	227,168	217,345	-	217,345	9,823	86,292	60,579	156,694
TOTAL ALL FUNDS	667,750,586	38,824,809	706,575,395	614,907,912	44,894,116	659,702,028	46,873,367	24,434,666	2,666,817	73,983,841

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

APPENDIX 3

DONOR CONTRIBUTIONS
For The Biennium 2000-2001
(In USD)

(A) CONTRIBUTIONS RECEIVED:

DONORS	REGULAR BUDGET FUNDS			NON-REGULAR BUDGET FUNDS			Microfinance and Microenterprise Programme	GRAND TOTAL
	Cash	In-Kind	Total	Emergency Appeal	Projects	Total		
Governments								
AUSTRALIA	4,312,746	-	4,312,746	389,725	51,051	440,776	-	4,753,521
AUSTRIA	797,331	-	797,331	-	-	-	-	797,331
BAHRAIN	75,000	-	75,000	-	-	-	-	75,000
BELGIUM	1,093,056	1,665,450	2,758,506	261,386	498,278	759,665	-	3,518,171
BRUNEI DARUSSALAM	10,000	-	10,000	-	-	-	-	10,000
CANADA	15,763,391	-	15,763,391	1,467,991	2,358,652	3,826,643	-	19,590,033
CHILE	10,000	-	10,000	-	-	-	-	10,000
CHINA	120,000	-	120,000	-	-	-	-	120,000
COLOMBIA	4,915	-	4,915	-	-	-	-	4,915
CYPRUS	25,000	-	25,000	-	-	-	-	25,000
CZECH REPUBLIC	51,843	-	51,843	-	-	-	-	51,843
DENMARK	15,828,114	1,200	15,829,314	1,841,423	238,688	2,080,111	-	17,909,426
EGYPT	154,230	-	154,230	-	-	-	-	154,230
FINLAND	3,388,555	-	3,388,555	1,135,713	-	1,135,713	-	4,524,268
FRANCE	5,249,631	8,420,321	13,669,953	1,103,579	1,779,255	2,882,834	-	16,552,787
GERMANY	8,093,679	1,295,111	9,388,790	1,742,920	1,015,842	2,758,761	16,451	12,164,003
GREECE	800,000	-	800,000	-	-	-	-	800,000
HOLY SEE	-	-	-	5,000	20,475	25,475	-	25,475
ICELAND	7,000	-	7,000	-	-	-	-	7,000
INDIA	4,753	-	4,753	-	-	-	-	4,753
IRELAND	1,724,000	-	1,724,000	1,415,510	-	1,415,510	-	3,139,510
ITALY	8,686,793	1,246	8,688,039	2,076,918	1,000,000	3,076,918	-	11,764,957
JAPAN	18,548,147	6,837,607	25,385,754	85,050	1,388,481	1,473,531	-	26,859,285
JORDAN	-	24	24	-	-	-	-	24
JORDAN (MINISTRY OF HEALTH)	-	172,648	172,648	-	-	-	-	172,648
KOREA, REPUBLIC OF	200,000	-	200,000	-	-	-	-	200,000
KUWAIT	2,000,000	-	2,000,000	-	3,407	3,407	-	2,003,407
LUXEMBOURG	1,487,932	-	1,487,932	105,000	1,675,087	1,780,087	-	3,268,019
MALAYSIA	45,000	30,210	75,210	-	-	-	-	75,210
MALDIVES	2,000	-	2,000	-	-	-	-	2,000
MALTA	6,000	-	6,000	-	-	-	-	6,000
MEXICO	9,000	-	9,000	-	-	-	-	9,000
MINISTRY OF HEALTH, LEBANON	-	38,153	38,153	-	-	-	-	38,153
MONACO	10,000	-	10,000	-	-	-	-	10,000
NETHERLANDS	17,303,356	946,374	18,249,730	18,624,004	2,140,196	20,764,200	-	39,013,931
NEW ZEALAND	278,385	-	278,385	40,550	-	40,550	-	318,935

DONORS	REGULAR BUDGET FUNDS			NON-REGULAR BUDGET FUNDS			Microfinance and Microenterprise Programme	GRAND TOTAL
	Cash	In-Kind	Total	Emergency Appeal	Projects	Total		
NORWAY	23,448,307	-	23,448,307	1,759,031	-	1,759,031	-	25,207,339
OMAN	25,000	-	25,000	-	-	-	-	25,000
PALESTINE	430,000	1,761,662	2,191,662	103,800	-	103,800	-	2,295,462
PALESTINE (MINISTRY OF HEALTH)	-	625,588	625,588	-	-	-	-	625,588
PORTUGAL	25,000	-	25,000	-	-	-	-	25,000
QATAR	70,000	-	70,000	-	-	-	-	70,000
SAUDI ARABIA	3,600,000	-	3,600,000	250,000	1,043,731	1,293,731	-	4,893,731
SAUDI ARABIA (THRU' SAUDI FUND FOR DEV.)	-	-	-	-	1,276,745	1,276,745	-	1,276,745
SOUTH AFRICA	64,944	-	64,944	-	-	-	-	64,944
SPAIN	6,694,333	-	6,694,333	444,168	-	444,168	-	7,138,502
SWEDEN	34,652,693	-	34,652,693	589,427	136,350	725,777	-	35,378,470
SWITZERLAND	9,613,293	-	9,613,293	2,721,522	922,756	3,644,278	-	13,257,571
SYRIA	-	49,214	49,214	-	-	-	-	49,214
SYRIA (MINISTRY OF HEALTH)	-	36,518	36,518	-	-	-	-	36,518
TUNISIA	34,981	-	34,981	-	-	-	-	34,981
TURKEY	575,000	-	575,000	-	37,815	37,815	-	612,815
UNITED ARAB EMIRATES	500,000	-	500,000	-	-	-	-	500,000
UNITED KINGDOM	42,956,999	-	42,956,999	19,307,585	2,547,195	21,854,779	-	64,811,778
UNITED STATES	170,260,804	34,340	170,295,144	28,100,000	5,686,196	33,786,196	-	204,081,340
Total Governments	**399,041,211**	**21,916,667**	**420,956,878**	**83,570,302**	**23,820,199**	**107,390,501**	**16,451**	**528,363,831**
Inter-Governmental Organizations								
AGFUND, SAUDI ARABIA	-	-	-	50,000	47,500	97,500	190,000	287,500
ARAB FUND FOR ECONOMIC & SOCIAL DEVLOP.	-	-	-	-	146,461	146,461	-	146,461
EUROPEAN COMMUNITY	89,211,776	10,718,801	99,930,577	16,910,457	2,953,147	19,863,603	-	119,794,181
Total Inter Governmental Organizations	**89,211,776**	**10,718,801**	**99,930,577**	**16,960,457**	**3,147,107**	**20,107,564**	**190,000**	**120,228,141**
U.N. Organizations								
UNDP	-	23,372	23,372	46,172	-	46,172	-	69,544
UNESCO	339,014	571,722	910,736	-	-	-	-	910,736
UNICEF	-	1,094,069	1,094,069	-	-	-	-	1,094,069
WORLD HEALTH ORGANIZATION	300,000	339,000	639,000	-	-	-	-	639,000
OFFICE FOR THE COORDINA. OF HUMAN. AFFAIRS	-	-	-	-	84,000	84,000	-	84,000
UNITED NATIONS	25,600,000	-	25,600,000	-	-	-	-	25,600,000
Total U.N. Organizations	**26,239,014**	**2,028,163**	**28,267,177**	**46,172**	**84,000**	**130,172**	**-**	**28,397,349**
Non Governmental Organizations								
ANERA	-	21,479	21,479	-	-	-	-	21,479
ARAB CULTURAL ASSOCIATION IN TOKYO	-	-	-	2,000	-	2,000	-	2,000
CARE INTERNATIONAL	-	43,370	43,370	17,047	-	17,047	-	60,417
CHILDREN INTERNATIONAL	-	39,685	39,685	31,151	-	31,151	-	70,837
DANISH REFUGEE COUNCIL	-	-	-	-	33,947	33,947	-	33,947
DEUTSCHE STIFTUNG	-	-	-	-	8,433	8,433	-	8,433
HOLY LAND CHRISTIAN MISSION	-	564,587	564,587	-	-	-	-	564,587
KING HUSSEIN FOUNDATION	-	-	-	50,000	-	50,000	-	50,000
ME & AFRICA LADIES ASSOCIATION, JAPAN	2,857	-	2,857	-	-	-	-	2,857
MOVIMONDO	-	-	-	-	36,628	36,628	-	36,628
RED CRESCENT, EGYPT	-	58,044	58,044	-	-	-	-	58,044
RISSHO KOSEI-KAI	-	694,910	694,910	9,346	52,962	62,308	-	757,218
SAVE THE CHILDREN FUND, UK	-	365	365	-	-	-	-	365
SWISS & GERMAN AID CARITAS, SWITZERLAND	22,000	-	22,000	-	-	-	-	22,000

APPENDIX 3

DONORS	REGULAR BUDGET FUNDS			NON-REGULAR BUDGET FUNDS			Microfinance and Microenterprise Programme	GRAND TOTAL
	Cash	In-Kind	Total	Emergency Appeal	Projects	Total		
The British Council	-	595	595	-	-	-	-	595
UNIV.TRUST FOR EDUC. EXCHANGE WITH PALES	-	5,250	5,250	-	-	-	-	5,250
US-BASED NGO	-	17,426	17,426	-	-	-	-	17,426
WELFARE ASSOCIATION, GENEVA	-	-	-	-	7,059	7,059	-	7,059
WORLD VISION INTERNATIONAL, LEBANON	47,250	-	47,250	-	-	-	-	47,250
Total Non Governmental Organizations	72,107	1,445,710	1,517,817	109,544	139,029	248,573	-	1,766,390
Other Sources	111,329	929,881	1,041,210	585,133	-	585,133	-	1,626,403
TOTAL CONTRIBUTIONS RECEIVED	**514,675,438**	**37,038,222**	**551,713,660**	**101,271,668**	**27,190,335**	**128,462,003**	**206,451**	**680,382,114**

(B) CONTRIBUTIONS NOT RECEIVED:

DONORS	REGULAR BUDGET FUNDS			NON-REGULAR BUDGET FUNDS			Microfinance and Microenterprise Programme	GRAND TOTAL
	Cash	In-Kind	Total	Emergency Appeal	Projects	Total		
Governments:								
Austria	186,800		186,800					186,800
Belgium	218,216		218,216					218,216
India	4,727		4,727					4,727
Italy	2,727,765		2,727,765					2,727,765
Kuwait	1,500,000		1,500,000					1,500,000
Libya	1,000,000		1,000,000					1,000,000
Morocco	20,053		20,053					20,053
United Arab Emirates	500,000		500,000					500,000
Total Governments	6,157,561	-	6,157,561	-	-	-	-	6,157,561
Inter-Governmental Organizations								-
European Community	17,259,859		17,259,859					17,259,859
								-
TOTAL CONTRIBUTIONS NOT RECEIVED	**23,417,420**	**-**	**23,417,420**	**-**	**-**	**-**	**-**	**23,417,420**

TOTAL CONTRIBUTIONS	**538,092,858**	**37,038,222**	**575,131,080**	**101,271,668**	**27,190,335**	**128,462,003**	**206,451**	**703,799,535**

APPENDIX 4

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

MICROFINANCE AND MICROENTERPRISE PROGRAMME

STATEMENT OF INCOME, EXPENDITURE AND CHANGES IN RETAINED EARNINGS
For the Biennium 2000-2001
(In USD)

1998-1999	Description	Note	Gaza	W.Bank	Total MMP
	Income:				
	Interest Income:				
2,903,241	- On loans		2,083,494	767,791	2,851,285
877,748	- On investments		684,584	134,394	818,978
-	Donor contributions	3	190,000	16,451	206,451
-	Miscellaneous income	4	25,819	2,500	28,319
3,780,989	**Total Income**		**2,983,897**	**921,136**	**3,905,033**
(2,872,607)	**Operating Expenditure**		**(4,718,922)**	**(2,281,272)**	**(7,000,194)**
(568,706)	**Exchange gains/(losses)**		**5,684**	**(530)**	**5,154**
339,676	**Net Income**		**(1,729,341)**	**(1,360,666)**	**(3,090,007)**
-	Prior year adjustments	12	42,547	31,619	74,166
339,676	**Net Income for the period**		**(1,686,794)**	**(1,329,047)**	**(3,015,841)**
1,545,601	Retained earnings brought forward		**1,558,150**	**327,127**	**1,885,277**
-	**Fund balance**		**190,000**		**190,000**
1,885,277	**Retained earnings/ (losses) carried forward**		**(318,644)**	**(1,001,920)**	**(1,320,564)**

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

APPENDIX 5

MICROFINANCE AND MICROENTERPRISE PROGRAMME
ASSETS AND LIABILITIES STATEMENT
As at 31 December 2001
(in USD)

31.12.1999	Description	Note	Gaza	W.Bank	Total MMP
	Assets:				
8,630,409	**Cash in Banks**		2,045,352	315,755	2,361,107
8,236,293	Accounts Receivable	5	3,779,802	1,840,623	5,620,425
(229,681)	Less: Provision for loan losses		(842,030)	(439,155)	(1,281,185)
8,006,612	**Net Accounts Receivable**		2,937,772	1,401,468	4,339,240
15,223	**Prepaid Expenses**		1,379	14,732	16,111
-	**Short-term Investments**	6	6,406,758	511,454	6,918,212
16,652,245	**Total Assets**		11,391,261	2,243,409	13,634,670
	Liabilities:				
505,990	Accounts Payable	7	13,082	523,291	536,373
653,328	Bills payable to UNRWA	8	469,217	142,828	612,045
500,000	UNRWA's contribution to MMP	9	150,000	350,000	500,000
59,621	Funds held for Training (SMET)	10	68,788	-	68,788
1,718,939	**Total Liabilities**		701,087	1,016,119	1,717,206
	Capital & Reserves:				
13,048,028	Accumulated capital		10,818,818	2,229,210	13,048,028
1,885,277	Retained earnings/ (losses)		(318,644)	(1,001,920)	(1,320,564)
-	Fund balance	11	190,000	-	190,000
16,652,244	**Total Liabilities & Capital**		11,391,261	2,243,409	13,634,670

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

GENERAL FUND
PRODUCTION UNITS AND CANTEEN REVENUES
For TheBiennium 2000-2001
(in USD)

	Schools Contributions & Canteen Revenues	Production Units				GRAND TOTAL
		Contracting	Carpentry	Embroidery	Total	
GAZA:						
Sales(Income)	695,491	1,553,613	1,016,053	181,219	2,750,886	3,446,377
Cost of Sales	679,021	1,751,827	932,339	215,626	2,899,793	3,578,813
Net income	16,470	(198,214)	83,714	(34,407)	(148,907)	(132,436)
LEBANON:						
Sales(Income)	574,861				-	574,861
Cost of Sales	639,536				-	639,536
Net income	(64,675)	-	-	-	-	(64,675)
SAR:						
Sales(Income)	325,301				-	325,301
Cost of Sales	285,649				-	285,649
Net income	39,652	-	-	-	-	39,652
JORDAN:						
Sales(Income)	1,265,019				-	1,265,019
Cost of Sales	1,225,896				-	1,225,896
Net income	39,124	-	-	-	-	39,124
W.B.:						
Sales(Income)	689,022				-	689,022
Cost of Sales	417,491				-	417,491
Net income	271,531	-	-	-	-	271,531
TOTALS :						
Sales(Income)	3,549,695	1,553,613	1,016,053	181,219	2,750,886	6,300,581
Cost of Sales	3,247,592	1,751,827	932,339	215,626	2,899,793	6,147,386
Net income	302,102	(198,214)	83,714	(34,407)	(148,907)	153,196

Notes to the financial statements

Note 1
Objectives of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

The mission of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) is to provide services to and to promote the human resources development of the Palestine refugees through the provision of education, health, relief assistance, social services, income-generating activities, infrastructure development projects and related activities within its area of operations.

Note 2
Summary of significant accounting policies

Basis of presentation

(a) The financial statements are prepared in accordance with generally accepted accounting principles, the United Nations system accounting standards and international accounting standards. The accounts of the Agency are maintained on the accrual basis of accounting with regard to all income and expenditure in accordance with article 10.2 of the Agency's amended financial regulations of June 2001.

(b) The fundamental accounting assumptions of going concern, consistency and accrual are followed in the financial statement presentation.

(c) The Agency operates a system of fund accounting by which it maintains separate accounts for the regular budget, the project funds and the Provident Fund. The Agency's system of fund accounting provides a full identification of income and expenditure by purpose and the complete separation of the assets and liabilities of each fund. Contributions or allocations to funds other than the regular budget are assigned individual prefixes, which are maintained as distinct financial and accounting entities, with separate double-entry groups of accounts.

(d) The Agency's financial period consists of two consecutive calendar years. An interim closure of accounts is carried out at the end of the first year and a final closure at the end of the second year.

(e) The financial statements are prepared under the historical cost convention.

Foreign currency translation

(f) The accounts of the Agency are maintained in United States dollars. Transactions in other currencies are translated into United States dollars using the United Nations operational rate of exchange prevailing at the time of the transaction. At the end of a financial period, assets and liabilities in other currencies are reflected in United States dollars at the rate of exchange applicable at 1 January of the following year. Gains or losses on conversion of currencies between the market rates and United Nations operational rates of exchange are treated as an addition to or deduction from income.

Income recognition

(g) Cash contributions are recorded as income on the basis of confirmed donor pledges to pay contributions at specified times during the current financial period. Pledges in respect of in-kind donations and non-regular activities have not been accrued. Using the donor's valuation, contributions in kind are recorded as income only when they are received by the Agency.

(h) At the request of donors, contributions received in the current period for a future financial period are treated as income received in advance in the accounting records.

(i) Interest income on bank deposits, income derived from the sale of used vehicles and equipment, the share of profits on insurance policies, income from production units and other sundry income are treated as miscellaneous income.

Expenditure

(j) Total expenditures reported in the financial statements include disbursements, unliquidated obligations made against the allocation for the financial period and carry-forwards.

(k) In accordance with article 10.4 of the Agency's financial regulations, expenditure on acquisition, construction or capital improvements of land and buildings is capitalized.

(l) Costs incurred on the purchase of expendable supplies and the acquisition of non-expendable equipment, furniture and motor vehicles are charged to expenditure on purchase. Therefore, the values of non-expendable property including inventories are not included in the assets of the Agency. Although the Agency's non-expendable property is not treated as an asset, memorandum accounts and strict controls over assets are maintained. The asset records are maintained on a historical cost basis.

Note 3
End-of-service benefits

A provision is made in the budget for separation payments to staff members who leave the Agency during a financial period. However, reserves have not been established for separation costs for future years. Hence, these payments would be expected to be met from future income and operating reserves. In the event of a closing down of UNRWA, the accumulated termination benefits for area staff as at 31 December 2001 is estimated at around 143.6 million based on current costs as well as rules and regulations.

Note 4
United Nations Joint Staff Pension Fund

UNRWA is a member organization of the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined-benefit plan. It is mandatory for the Agency's internationally recruited staff members to join the Fund. The financial obligation of UNRWA to the Fund consists of its mandated contribution at the rate established by the Assembly together with its share of any

actuarial deficiency payments that might become payable pursuant to article 26 of the Regulations of the Fund. Such deficiency payments are payable only if and when the Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at the valuation date. At the time of the present report, the Assembly had not invoked that provision. The Agency's liability towards the Fund had been fully met as at 31 December 2001.

Notes applicable to regular budget funds

Note 5
Income from other sources

This income represents miscellaneous contributions received in cash and in kind from individuals, charitable institutions, social bodies and merchants.

Note 6
Miscellaneous income

Miscellaneous income comprises income derived from the following (in United States dollars):

1998-1999	*Miscellaneous income*	*2000-2001*
1 652 576	Bank interest	2 914 783
54 990	Income/(loss) from production units	(148 907)
108 320	Sale of used vehicles and equipment	37 746
47 868	Share of profit on insurance policies	15 843
389 303	Sundries	358 965
2 253 057	**Total**	**3 178 430**

Note 7
Accounts receivable

Accounts receivable reported in statement 2 include the following items (in United States dollars):

1999	Accounts receivable	2001
-	Contributions receivable[a]	23 417 420
1 968 665	Personal account of staff members	1 405 432
53 203	Refundable utility deposits	69 143
19 364 862	Value-added tax due from the Palestinian Authority	19 783 246
4 175 947	Customs and port charges	7 218 568
976 046	Claims against other Governments	1 311 639
12 234 390	Claims filed against Governments	12 242 297
332 170	Unfiled claims against Governments	341 929
2 596 962	Miscellaneous claims and receivables	2 668 271
41 702 245	**Subtotal**	**68 457 945**
(17 834 776)	Less: Provision for uncollectable amounts	(20 704 369)
23 867 469	**Total**	**47 753 576**

[a] Contributions receivable represent confirmed pledges outstanding from donors towards regular budget activities for the biennium 2000-2001 as at 31 December 2001, as reflected in appendix 3. A total of $18,582,661 had been received by the reporting date. No provisions have been made for the outstanding amount.

Note 8
Production unit inventory

The Agency has three self-supporting production units. These are the Embroidery Centre, the Carpentry Unit and the Contracting Section, all of which are located in Gaza. Up to 1987, those units were part of the General Fund. As from 1988 they have been set up as separate units to be governed by a new set of instructions for effective management control and performance assessment. Therefore, as an exception to the Agency's accounting policies, inventories of these production units are reported at cost under assets in the financial statements, as shown below (in United States dollars):

1999	Production unit inventory	2001
315 458	Raw material	319 047
37 663	Work in progress	70 258
1 662 430	Finished goods	1 695 873
2 015 551	**Total**	**2 085 178**

The approximate value of the Agency's inventories as at 31 December 2001, based on historical cost, amounted to $10.0 million (1999 — $11.9 million).

Note 9
Land and buildings

The historical cost of land and buildings, which are capitalized, comprise the following (in United States dollars):

1999	*Land and buildings*	*2001*
219 049	Land	219 049
260 191 477	Buildings and structures	275 406 869
38 264 752	Refugee shelters	41 419 396
298 675 278	**Total**	**317 045 314**

Construction work in progress as at 31 December 2001 amounting to $7,065,038 has been included in the above figures. As a result of introducing a new chart of accounts, this amount will be disclosed separately in the accounts for the next biennium.

Note 10
Area Staff Provident Fund

The amount due (to)/from the Area Staff Provident Fund consists of the following (in United States dollars):

1999	*Fund*	*2001*
2 884 749	Main Provident Fund	633 675
10 060	Post-Employment Fund	-
(110 705)	Due to Austrian Schilling Fund	(128 039)
2 784 104	**Total**	**505 636**

Note 11
Other fixed assets

The historical costs of other fixed assets, which are expended at the time of purchase, comprise the following (in United States dollars):

1999	*Other fixed assets*	*2001*
15 890 091	Vehicles	16 921 283
1 839 752	Vehicles surveyed	1 778 109
47 144 051	Equipment	46 914 647
183 895	Equipment surveyed	143 970
15 087	Missing equipment	15 087
-	Loss of vehicles not attributed to emergencies	22 186
65 092 876	**Total**	**65 795 282**

Note 12
Accounts payable

Accounts payable include (in United States dollars):

1999	*Accounts payable*	*2001*
8 412 453	Accounts payable	6 565 203
381 340	Deposits received	379 038
487 534	Funds held for other organizations[a]	8 283 597
785 226	Unpaid cheques, salaries, wages, etc.	1 887 501
10 066 553	**Total**	**17 115 339**

[a] Includes short-term investments amounting to $6.9 million made on behalf of the Microfinance and Microenterprise Programme's surplus funds by the Agency.

Note 13
Provision for unliquidated obligations/goods in transit

The provisions for unliquidated obligations and goods in transit are provisions made in the financial period but for which the goods or services have not yet been received.

Note 14
Provision for carry-forwards

The provision for carry-forwards is a provision for items budgeted in the financial period for which justification has been given that these items are charged to the current year's expenditure.

Note 15
Commitments and contingent liabilities

As at 31 December 2001, the Agency's annual commitments under lease/rental agreements executed with various parties amounted to $1,210,335.

A number of personnel appeals that could involve payment of back wages and entitlements are pending with the respective Appeals Boards of the international and area staff as well as with the United Nations Administrative Tribunal in New York. The contingent liabilities on those appeals and commercial contracts amounted to approximately $2,465,122 as at 31 December 2001.

Note 16
Reclassifications

Certain accounts in the financial period were reclassified or have been restated to comply with the Financial Regulations and recommendations made by the Board of Auditors and to improve the presentation of the financial statements.

Notes to the Microfinance and Microenterprise Programme financial statements

Note 1
Programme objectives

The Microfinance and Microenterprise Programme strives to maintain the best practices of the microfinance industry by adhering to the standards established for the industry by such institutions as the Consultative Group for Assistance to the Poor, the United States Agency for International Development, the Microfinance Network, the Calmeadow Foundation and Acción Internacional. The Programme attempts to achieve international standards of efficiency and outreach in a way that provides cost-effective services to clients in a sustainable manner. Though conditioned by the political and economic situation in the West Bank and Gaza where the Programme is focused, including protracted economic decline during the intifada, the Agency continues to pursue its objective of programme development and expansion.

Since June 1991, the UNRWA Microfinance and Microenterprise Programme in the West Bank and Gaza has helped promote small business development, create employment, improve the income of microenterprises and reduce poverty through the establishment of a number of targeted credit programmes aimed at small businesses, microenterprises and women. The Programme is organized around three revolving loan funds in Gaza and two in the West Bank. The programme supports businesses varying in size from microvending, employing just one or two individuals, to small industries, and aims to satisfy a variety of needs such as capital funding and working capital financing.

Note 2
Summary of significant accounting policies

(a) The accounts of the Programme are maintained on an accrual basis in respect of operating expenditure and on a cash basis for interest income.

(b) Capital inflows to the Programme are through: (i) donor contributions, which are channelled through the UNRWA accounts; and (ii) funds revolved through the repayment of loan instalments from borrowers. Contributions from donors to the Programme are first treated as income to UNRWA, and on disbursement to borrowers is treated as capital of the Programme. Accumulated capital of the Programme represents the total amount of these contributions from donors.

(c) The Programme's funds are disbursed to borrowers under three credit programme categories: small-scale enterprise credit, solidarity-group lending and microenterprise credit. The types of security required vary with the credit programme and generally include notarial deeds, post-dated cheques and loan guarantors. When loans are granted for the purchase of commercial vehicles, under a microenterprise credit, the security obtained is a mortgage on the vehicle.

(d) Surplus cash, if any, pending disbursement to borrowers is invested in short-term deposits with commercial banks of the Agency.

(e) The adequacy of provisions for loan losses is reviewed quarterly, and provisions are made according to the bad debt policy of the Programme, which was

revised by the Advisory Board in November 2001 to reflect the true status of its loan portfolio.

(f) The accounts of the Programme are maintained in United States dollars. Transactions in other currencies are translated into United States dollars using the United Nations operational rate of exchange prevailing at the time of the transaction. At the end of a financial period, on 31 December, assets and liabilities in other currencies are reflected in United States dollars at the rate of exchange applicable at 1 January. Gains or losses on the exchange of currencies are treated as an addition to or deduction from net income.

(g) The Programme's financial period consists of two consecutive calendar years. An interim closure of accounts is carried out at the end of the first year and a final closure at the end of the second year.

Note 3
Donor contribution

This amount reflects the Arab Gulf Fund for United Nations Development Organizations (AGFUND) donation for the Small and Microenterprise Training Programme for Gaza and a donor contribution for loans in the West Bank.

Note 4
Miscellaneous income

Miscellaneous income represents funds transferred from fee income held for training to cover staff costs of the Small and Microenterprise Training Unit (see note 10 below).

Note 5
Accounts receivable

Accounts receivable include loans outstanding from funds disbursed through both initial donor contributions (first-time loans) and from revolving loan funds. The provision for loan losses represents provisions made for doubtful loans under the revised bad debt policy, resulting in an increased provision of $1,051,504 over the previous year.

Note 6
Short-term investments

Short-term investments comprise the Programme's surplus funds invested in banks.

Note 7
Accounts payable

Accounts payable include a sum of $500,000 borrowed by the West Bank programme from the Gaza programme.

Note 8
Bills payable to the Agency

This represents the reimbursements due from the Programme to UNRWA in respect of operating expenditures incurred, which is billed every quarter.

Note 9
Agency contribution to the Programme

These amounts reflect the contribution made by UNRWA to the Programme at its inception. These have been classified as a liability pending a decision by UNRWA to recover them or to treat them as capital of the Programme.

Note 10
Funds held for training

This represents the balance remaining on the course fee charged on business and management training conducted for entrepreneurs and managers to cover future costs of the Small and Microenterprise Training Unit.

Note 11
Fund balance

The fund balance represents prize money and donations received from AGFUND earmarked for training activities.

Note 12
Prior-year adjustments

During the year, previous initial donor contributions (projects) were reclassified as belonging to the Microfinance and Microenterprise Programme, and therefore prior-year adjustments have been made to reflect this.

C. Provident Fund statements

UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST

[redacted]
STATEMENT OF
INCOME & EXPENDITURE
AND INCOME DISTRIBUTION ACCOUNT
For the Biennium 2000-2001
(in USD)

1999-1999			2000-2001	
		Investment Income:		
	108,857,292	Gross Investment Income	49,950,210	
	4,821,975	Less Investment Management fees	3,815,832	
	102,135,317	Net investment income	46,134,378	
		Other Income		
	521,661	Income from loans scheme	404,102	
		Interest income on 1999 Area Staff funds held with the Agency	180,956	
	521,661	Total Other Income	585,058	
	102,656,978	**TOTAL INCOME**	46,699,436	
		Expenses:		
	916,385	General administration expenses	677,458	
	297,702	Participants loan scheme administration expenses	150,172	
	1,234,087	**TOTAL EXPENSES**	827,630	
101,422,791		**NET INCOME FOR THE BIENNIUM**		45,871,808
70,890,322		**Add: Undistributed Income At 1.1.2000**		20,869,077
(68,135)		Prior year adjustment		
2,888		Unallocated Surplus at biennium end		
172,337,874		**TOTAL OF AVAILABLE INCOME**		66,740,883
	144,748,880	**Less Income distributed to continuing participants**	67,823,258	
		Interest paid during the biennium on		
	393,288	full withdrawals of voluntary contributions	71,089	
	6,393,081	withdrawals of separated participants credits	2,679,742	
	151,344,939	Total interest paid during the biennium	70,574,089	
	323,899	Reserve for loan administration expenses	253,930	
151,466,799		**TOTAL**		70,828,019
20,869,076		**INCOME (LOSS) AVAILABLE FOR DISTRIBUTION**		(4,087,139)

UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST

AREA STAFF PROVIDENT FUND
STATEMENT OF ASSETS AND LIABILITIES
As at 31 December 2001
(in USD)

31.12.1999			31.12.2001	
		ASSETS		
	270,267,069	Baring Int'l	245,625,228	
	94,560,218	Deutsche Bank	83,020,012	
	227,592,418	Fiduciary Trust	208,781,290	
	76,467,431	Julius Baer	70,544,151	
	42,627,541	Gulf Int'l Bank - Bonds	-	
	-	Gulf Int'l Bank - Equitiy	73,693,051	
	95,810,649	Lombard	84,043,279	
	48,335,348	State Street, Paris	-	
	185,175	Security Lending	173,877	
	-	Putnam Investment	22,995,207	
	-	Nicholas Appligate	913,234	
	719,370	Cash Investment	-	
856,565,219		TOTAL OF ASSETS		787,789,329
		LIABILITIES		
		Continuing participants credits:		
	207,158,926	Gaza and Cairo	222,112,853	
	81,303,102	Lebanon	80,217,764	
	68,583,569	S.A.R.	67,949,463	
	105,355,068	West Bank	110,536,441	
	246,537,018	Jordan	219,260,361	
	8,174,808	HQ Amman	7,828,010	
	1,113,284	HQ Vienna	1,313,820	
	1,256,210	HQ Gaza	1,676,650	
	719,481,983	Sub Total	710,895,362	
		Retirees' Credits:		
	41,205,373	Gaza and Cairo	36,426,127	
	200,234	Lebanon	593,194	
	18,835,864	S.A.R.	12,958,614	
	19,975,269	West Bank	13,311,061	
	9,556,121	Jordan	5,239,821	
	3,089,592	HQ Amman	2,635,906	
	15,072,572	HQ Vienna	7,038,098	
	7,806	HQ Gaza	50,038	
	107,942,831	Sub Total	78,252,859	
		Other liabilities:		
	5,162,721	Ex-participants' credits	1,611,963	
	2,884,749	Due To UNRWA General Fund	633,675	
	20,869,076	Income available for distribution	(4,087,139)	
	223,859	Reserve for loan administration expenses	477,789	
	-	State Street - Paris	4,820	
	29,140,405	Sub Total	(1,358,892)	
856,565,219		TOTAL OF LIABILITIES		787,789,329

UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST

AREA STAFF PROVIDENT FUND
Percentage Breakdown of Investment Balances
31 December 2001

	Baring Int'l	Deutsche Bank	Fiduciary Trust	Julius Baer	Gulf Int'l Bank - Equity	Lombard	Putnam Investment	Totals
EUROPE	25	24	33	30	29	33	28	28
PACIFIC BASIN	5	11	8	10	10	9	7	9
NORTH AMERICA	70	65	57	60	61	58	67	63
TOTAL	100	100	100	100	100	100	100	100

Percentage Breakdown of Investment By Type (Market Value)
31 December 2001

	Baring Int'l	Deutsche Bank	Fiduciary Trust	Julius Baer	Gulf Int'l Bank - Equity	Lombard	Putnam Investment	Totals
%CASH	6	3	6	2	3	1	2	4
%BONDS	94	97	94	98	-	-	-	73
%EQUITIES	-	-	-	-	97	99	98	23
%TOTAL	100	100	100	100	100	100	100	100

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

INVESTMENTS AND INVESTMENT INCOME
For the Biennium 2000-2001
(In USD)

	Baring Int'l	Deutsche Bank	Fiduciary Trust	Julius Baer	Gulf Int'l Bank - Bonds	Gulf Int'l Bank - Equity	Lombard	Security Lending	Putnam Investment	Nicholas Applegate	State Street	Cash Investment	Total
Investments as at 01.01.2000	270,267,069	94,560,218	227,592,418	76,467,431	42,627,541	-	95,810,649	185,175	-	-	48,335,348	1,580,653	**857,426,502**
and													
Funding during the period	(48,100,000)	(19,868,711)	(40,717,114)	(13,614,874)	(45,138,701)	79,331,177	(11,320,794)	(687,951)	27,484,097	9,864,080	(51,418,510)	(1,589,068)	**(115,776,369)**
Investments net of funding	**222,167,068**	**74,691,507**	**186,875,304**	**62,852,557**	**(2,511,160)**	**79,331,177**	**84,489,855**	**(502,776)**	**27,484,097**	**9,864,080**	**(3,083,162)**	**(8,415)**	**741,650,133**
Gross investment income	23,965,122	8,650,585	20,578,873	7,978,928	2,613,166	(5,442,704)	374,392	1,232,191	(4,211,542)	(8,880,377)	3,083,162	8,415	**49,950,210**
deduct													
Investment managers' fees	506,960	322,080	672,887	287,334	102,006	195,422	820,968	555,538	277,348	70,469	4,820	-	**3,815,832**
Net investment income	**23,458,162**	**8,328,505**	**19,905,986**	**7,691,594**	**2,511,160**	**(5,638,126)**	**(446,576)**	**676,653**	**(4,488,890)**	**(8,950,846)**	**3,078,342**	**8,415**	**46,134,378**
Investments as at 31.12.2001	**245,625,231**	**83,020,012**	**206,781,290**	**70,544,151**	**-**	**73,693,051**	**84,043,279**	**173,877**	**22,995,207**	**913,234**	**(4,820)**	**-**	**787,784,511**

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

**[illegible]
HQ(V) PROVIDENT FUND
STATEMENT OF INCOME & EXPENDITURE
AND INCOME DISTRIBUTION ACCOUNT
FOR THE BIENNIUM 2000-2001
(in USD)**

1998-1999			2000-2001	
		Investment Income:		
	137,438	Gross Investment Income	9,225	
	(82,057)	Less: Exchange rate Adjustments	(788)	
	55,381	Net investment income	8,437	
		Other Income		
	55,381	TOTAL INCOME	8,437	
		Expenses:		
	2,214	General administration expenses		
	2,214	TOTAL EXPENSES	-	
53,167		NET INCOME FOR THE YEAR		8,437
98,737		Add: Undistributed Income At 1.1.2000		4,111
149,904		TOTAL OF AVAILABLE INCOME		12,548
	55,891	Less: Income distributed to continuing participants	7,610	
	58,902	withdrawals of separated participants credits		
145,793		TOTAL INTEREST PAID DURING 2000-2001		7,610
4,111		INCOME AVAILABLE FOR DISTRIBUTION		4,938

UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST

AUSTRIAN SCHILLING
HQ(V) PROVIDENT FUND
STATEMENT OF ASSETS AND LIABILITIES
As at 31 December 2001
(In USD)

31.12.1999			31.12.2001	
		ASSETS		
	110,705	Investments: Treasury HQ(Gaza) ATS 2,001,464 @ 15.6317	128,039	
110,705		**TOTAL OF ASSETS**		**128,039**
		LIABILITIES		
	106,594	**Continuing participants credits:** ATS credits ATS 1,924,276 @ 15.6317	123,101	
	4,111	Income available for distribution ATS 77,188 @ 15.6317	4,938	
110,705		**TOTAL OF LIABILITIES**		**128,039**

UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST

PROVIDENT FUND ADMINISTRATION EXPENSES
For the Biennium 2000-2001
(in USD)

1998-1999			2000-2001	
		Provident Fund Secretariat:		
	338,794	Established Posts	204,519	
	2,364	Computer Equipment	3,495	
	78,007	Travel Costs	68,610	
	1,000	Temporary Assistant	3,979	
	21,342	Telecommunications	15,467	
	59,545	Other Costs	29,739	
501,052		**Total**		**325,809**
733,035		Agency's Administration Expenses		501,821
1,234,087		**Total Administration Expenses**		**827,630**
		Allocated between:		
	936,385	General Administration	677,458	
	297,702	Loan Scheme Administration	150,172	
1,234,087		**Total Administration Expenses**		**827,630**

Notes to the Provident Fund financial statements

Note 1
The Fund

The Provident Fund is a benefit that applies to all area staff members and is the equivalent of a defined-contributions pension plan. The Fund, which was established in 1955, had 22,095 participants as at 31 December 2001. This figure does not include 892 separated staff members who still hold their credits with the Fund under the Fund's rules. The monthly contribution amount is based on a mandatory 7.5 per cent payroll deduction for each staff member plus the Agency's share of 15 per cent. Under the Provident Fund rules, staff members are allowed to make additional voluntary contributions up to a maximum of 50 per cent of monthly payroll. Provident Fund loans against staff credits for educational, medical and housing needs are granted to the members. These loans must be repaid within a period of 10 years. As at 31 December 2001, an amount of $55,664,219 was outstanding as loans. All participants receive the lower of book or market value return on the Fund for the period of employment/membership in the Fund. The Fund is administered by the Provident Fund Secretariat jointly with the supervision and guidance provided by two committees, the Provident Fund Committee and the Investment Advisory Committee.

Note 2
Investment management and investments

The Fund employed seven investment managers, four for the global bond portfolio and three for the global equity portfolio. The approved guidelines for investments allowed for an asset allocation mix of 75 per cent for bonds and 25 per cent for equities. However, the actual asset allocation of the portfolio as at 31 December 2001 was 76 per cent bonds and 24 per cent equities. The custody of assets is with a global custodian, the Northern Trust Company. A securities lending programme is also administered by the Northern Trust Company under which the assets of the Fund are lent to approved borrowers for a short duration for a commission. The Northern Trust Company calculates the performance numbers for the Fund. The equity investment manager, Nicholas Applegate Capital Management in San Diego, was terminated in December 2001, and the portfolio managed by it was transferred equally to Gulf International Bank and Lombard Odier for management. The investments are valued, for the purpose of generating an income figure, at the lower of cost or market value on a portfolio basis. The value of investments at 31 December 2001 was $787,789,329 for the dollar fund and $128,039 for the Austrian schilling fund. The investment managers' valuation based on market value was $788,797,402 for the dollar fund. Subsequent to the transfer of the members' balances to the dollar fund in July 1998, the investment management function of the Austrian schilling fund was delegated to the Treasurer of the Agency.

Note 3
Investment income

Gross investment income for the biennium comprises the following (in United States dollars):

Interest from fixed-income securities	63 088 766
Dividends from equities	4 262 331
Realized capital gains/(losses)	(21 418 133)
Interest on short-term deposits	4 017 246
Total	**49 950 210**

Note 4
Foreign currency transaction

The Provident Fund accounts are maintained in United States dollars. Transactions executed for liabilities and expenses in other currencies are translated to United States dollars at the United Nations operational rate of exchange prevailing at the time. Investment transactions executed in other currencies by the investment managers are translated to United States dollars at the market rates of exchange prevailing at the time.

Note 5
Administrative costs

Direct expenses of the Provident Fund secretariat and expenses computed, based on time spent by staff, on the Provident Fund scheme at Headquarters and field offices are included under administrative costs. This expenditure has been allocated between general administration and loan scheme administration.

Note 6
Reserve for loan administration expenditure

A reserve account has been established for the difference between the 1 per cent administration fee levied on Provident Fund loans and loan administration expenses to compensate for any future shortfalls.

Note 7
Contributions and fund balances

The movement of funds and the resultant amount due from the Agency to the Provident Fund as at 31 December 2001 is given below (in United States dollars):

Funding sources and applications	
Continuing participants credits	(8 586 621)
Retirees credits	(29 689 972)
Separated participants credits	(3 550 758)
Investment income	(24 956 215)
Decrease in investment portfolio	68 775 890
Net funding sources	**1 992 324**
Increase in reserves and accounts payable	258 750
Applied to General Fund	(2 251 074)
Add: Amount due to General Fund on 1 January 2000	2 884 749
Amount due to Agency's General Fund at 31 December 2001	**633 675**

Note 8
Post-Employment Fund

The assets of the Post-Employment Fund, which was established for teachers employed on contract basis, was merged with the main Provident Fund in March 2000.

Note 9
Subsequent events

(a) A rebalancing activity was conducted in February 2002 to diversify Provident Fund risk and to benefit from the cheap prices of equities. This was executed by reallocating funds from the Baring and Fiduciary portfolios to all other bond and equity portfolios.

(b) The Agency's offices in Vienna were closed in January 2002. However, the Austrian schilling Provident Fund's investments will continue to remain with the Agency until they are withdrawn by the members.

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